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# Welcome to HEINEKEN

HEINEKEN is one of the world's great brewers with its brands available in 178 countries around the world.

## We are

A proud, independent, global brewer committed to surprising and exciting consumers everywhere.

## We value

A passion for quality, enjoyment of life, respect for people and respect for our planet.

## We want

To win in all markets with Heineken® and with a full brand portfolio in markets where we choose.

## Further information online:

[annualreport.HEINEKEN.com](http://annualreport.HEINEKEN.com)

- Download Excel® sheets of our key financials
- Access report toolkit
- Share information via social networking.

[theHEINEKENcompany.com](http://theHEINEKENcompany.com)

- Sign up for news alerts
- Keep up to date with our extensive investor section
- Read and ask about our commitment to sustainability.

[twitter.com/HEINEKENCorp](https://twitter.com/HEINEKENCorp)

- Follow our twitter feed to enjoy the latest HEINEKEN news – @HEINEKENCorp.



# The Quick Read

## Performance highlights

Revenue (in millions of EUR)

**€18,383m**  
+7.4 per cent

2012	18,383
2011	17,123
2010	16,133
2009	14,701
2008	14,319

Consolidated beer volume  
(in millions of hectolitres)

**171.7mhl**  
+4.3 per cent

2012	171.7
2011	164.6
2010	145.9
2009	125.2
2008	125.8

Heineken® volume in premium segment  
(in millions of hectolitres)

**29.1mhl**  
+6.2 per cent

2012	29.1
2011	27.4
2010	26.0
2009	25.1
2008	25.9

EBIT (beia) (in millions of EUR)

**€2,912m**  
+8.0 per cent

2012	2,912
2011	2,697
2010	2,623
2009	2,095
2008	1,932

Net profit (beia) (in millions of EUR)

**€1,696m**  
+7.1 per cent

2012	1,696
2011	1,584
2010	1,456
2009	1,055
2008	1,013

## Key figures<sup>1</sup>

### Results

In millions of EUR	2012	2011	Change in %
Revenue	18,383	17,123	7.4%
EBIT <sup>2</sup>	3,904	2,455	59.0%
EBIT (beia) <sup>2</sup>	2,912	2,697	8.0%
Net profit	2,949	1,430	106.2%
Net profit (beia) <sup>2</sup>	1,696	1,584	7.1%
EBITDA <sup>2</sup>	5,220	3,623	44.1%
EBITDA (beia) <sup>2</sup>	3,979	3,682	8.1%
Dividend (proposed) <sup>5</sup>	512	477	7.3%
Free operating cash flow <sup>2</sup>	1,485	2,093	(29.0)%

### Balance sheet

In millions of EUR	2012	2011	Change in %
Total assets	35,979	27,127	32.6%
Equity attributable to equity holders of the Company	11,691	9,774 <sup>4</sup>	19.6%
Net debt position	12,311	8,355	47.3%
Market capitalisation	29,071	20,605	41.1%

### Results and balance sheet per share of EUR 1.60

Weighted average number of shares – basic	575,022,338	585,100,381 <sup>4</sup>	(1.7)%
Net profit	5.13	2.44	110.2%
Net profit (beia)	2.95	2.71	8.9%
Dividend (proposed)	0.89	0.83	7.2%
Free operating cash flow	2.58	3.58	(27.9)%
Equity attributable to equity holders of the Company	20.33	16.70 <sup>4</sup>	21.7%
Share price <sup>3</sup>	50.47	35.77	41.1%

### Employees

In numbers	2012	2011	Change in %
Average number of employees (FTE)	76,191	71,745 <sup>7</sup>	6.2%

### Ratios

EBIT as % of revenue	21.2%	14.3%	48.3%
EBIT as % of total assets	10.9%	9.1%	19.8%
Net profit as % of average equity attributable to equity holders of the Company <sup>3</sup>	27.5%	14.5%	89.7%
Net debt/EBITDA (beia)	3.09	2.27	36.1%
Dividend % payout <sup>5</sup>	30.2%	30.1% <sup>6</sup>	0.3%
Cash conversion rate	80.0%	122.1%	(34.5)%
EBIT (beia)/Net interest expenses	6.0	6.4	(6.3)%

<sup>1</sup> Please refer to the 'Glossary' for definitions.

<sup>2</sup> EBIT, EBIT (beia), net profit (beia), EBITDA, EBITDA (beia) and free operating cash flow are not financial measures calculated in accordance with IFRS. Accordingly, it should not be considered as an alternative to 'results from operating activities' or 'profit' as indicators of our performance, or as an alternative to 'cash flow from operating activities' as a measure of our liquidity. However, we believe that EBIT, EBIT (beia), net profit (beia), EBITDA, EBITDA (beia) and free operating cash flow are measures commonly used by investors and as such useful for disclosure. The presentation on these financial measures may not be comparable to similarly titled measures reported by other companies due to differences in the ways the measures are calculated. For a reconciliation of 'results from operating activities', 'profit' and 'cash flow from operating activities' to EBIT, EBIT (beia), net profit (beia), EBITDA, EBITDA (beia) and free operating cash flow we refer to the financial review on pages 41 to 45.

<sup>3</sup> As at 31 December.

<sup>4</sup> Including the effect of the Allotted Share Delivery Instrument (ASDI).

<sup>5</sup> Excluding the effect of the ASDI.

<sup>6</sup> The percentage 33.1% stated in the Annual Report 2011 is incorrect, the correct dividend % payout for 2011 is 30.1%.

<sup>7</sup> Updated.

# HEINEKEN through the years

HEINEKEN is a proud, independent global brewer committed to surprising and exciting consumers everywhere.

## UK and Ireland

**1985**

HEINEKEN acquires the Irish brewery Murphy's.

**2008**

HEINEKEN acquires Scottish & Newcastle's business adding Foster's, John Smith's, Strongbow and Bulmers brands to its portfolio.

## USA

**1933**

Heineken® the first imported beer available in America after 13 years of prohibition.

## France

**1875**

Heineken® wins the Medaille d'Or in Paris.

**1889**

Heineken® wins the Grand Prix in Paris.

## Italy

**1974**

Majority stake acquired in the Dreher Group.

## Africa

**1900**

HEINEKEN imports beer into Africa.

**1946**

HEINEKEN enters Nigeria.

**2009**

The Heineken Africa Foundation is launched.

**2011**

HEINEKEN acquires five breweries in Nigeria and two in Ethiopia.

## Latin America

**2010**

HEINEKEN acquires the beer businesses (including its US and other export businesses) of FEMSA in Mexico and Brazil.





**The Netherlands****1864**

Gerard Adriaan Heineken acquires his first brewery in Amsterdam.

**1873**

Heineken's Bierbrouwerij Maatschappij is established.

**1939**

HEINEKEN is listed on the Dutch Stock Exchange.

**1968**

HEINEKEN acquires Amstel, its major rival in the Netherlands.

**1975**

Zoeterwoude, the largest modern brewery in Europe, is opened.

**Germany****1993**

Heineken® exported to Berlin for the first time after the fall of the Wall.

**Central and Eastern Europe****1991**

HEINEKEN acquires a majority stake in the Hungarian Komárom brewery.

**1994**

HEINEKEN acquires interest in Żywiec, Poland's leading premium beer brewer.

**2002**

HEINEKEN starts acquiring breweries in Russia.

**2003**

HEINEKEN acquires Brau Union in Austria, Romania, Hungary, Czech Republic and Poland.

**2007**

HEINEKEN acquires the Krusovice Brewery in the Czech Republic.

**2008**

HEINEKEN acquires Drinks Union in the Czech Republic and Bere Mures in Romania.

**Australia****2004**

HEINEKEN and Lion Nathan establish a joint venture – Heineken Lion – to brew, market and distribute Heineken®.

**India****2009**

HEINEKEN enters into a joint venture with Vijay Mallya and assumes joint ownership of India's No. 1 brewer UBL.

**Asia Pacific****1932**

HEINEKEN co-founds Malayan Breweries and starts to brew Tiger for the first time.

**1937**

First Heineken® brewed outside the Netherlands, in former Dutch East Indies, now Indonesia.

**2012**

HEINEKEN acquires full control of Asia Pacific Breweries, creating strong platform for growth across the region.

Beer is more than 90% water. Throughout history, beer was consumed not just because it was delicious, but because it helped make water more drinkable.

# Chief Executive's Statement

## The Magic of HEINEKEN

**F**inancial performance  
For HEINEKEN, 2012 was an exciting year with significant strategic and operational progress being made in a challenging environment. Revenues and group beer volumes grew 7.4 per cent and 3.4 per cent respectively, driving a gain in global market share.

It was also another year in which we again strengthened our platforms for future growth.

The focus on our five business priorities is delivering results. The Heineken® brand continues to outperform the beer market, the rest of our portfolio and the International Premium Segment (IPS). Our other global portfolio brands, led by Desperados, expanded into a number of new markets.

Investment in our brands to drive profitable top-line growth was sustained, as was the focus on achieving greater efficiencies across every aspect of the business. Our Total Cost Management (TCM2) programme delivered EUR196 million of pre-tax savings in its first year.

Innovation is paramount to build brands and the category. During the year we made good progress towards reaching our stated 2020 innovation rate of 6% of revenues. Through the continued roll-out of products like Radler, a refreshing mix of beer and natural juice, innovations introduced in the markets within the last three years now represent EUR1 billion or 5.3 per cent of revenues.

The transformation of the Company's geographic footprint was taken to a new level in November 2012 with the acquisition of Asia Pacific Breweries Ltd (APB) in Singapore. On a pro-forma basis, emerging markets now account for 64 per cent of the Group's consolidated beer volume and 59 per cent of EBIT (beia). The shift towards high growth markets will have a positive impact on our business for the future.

### Acquisition of Asia Pacific Breweries Ltd (APB)

By gaining full control of APB and Asia Pacific Investment Pte Ltd (APIPL) we have strengthened our competitive position in one of the most exciting regions in the world. We are now ideally positioned to expand our presence across a number of growing markets and create long-term value for our shareholders. I would like to take this opportunity to thank again Chairman Lee and all the board members of Fraser and Neave, Limited who supported our offer and recommended it to their shareholders.

### Winning in other high growth markets

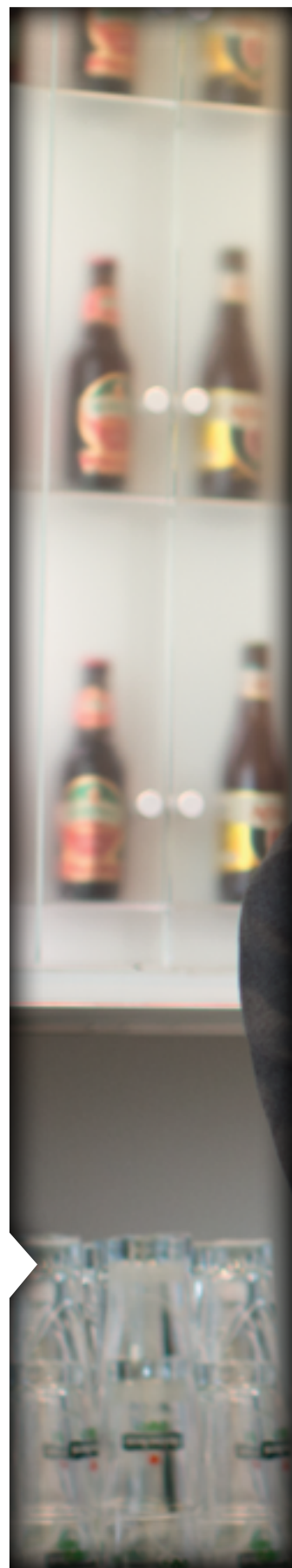
Two years ago we acquired the beer operations of FEMSA in Mexico and Brazil. Now we are starting to benefit from the hard work of the teams in both markets. In Mexico we have generated strong volume growth by implementing our commercial strategy successfully. In Brazil we are driving the expansion of the premium segment.

Africa continues to unfold as the most promising continent for growth in the beer category. In November we hosted more than 60 analysts, shareholders and investors in Lagos, Nigeria. We were able to share first-hand our passion for and our belief in the continent and demonstrate why Africa continues to be so important and exciting for our Company. The dynamic and positive changes that are taking place across the continent and the impact they are having on the lives of consumers are apparent for all to see. This is creating greater opportunities in both the mainstream beer and premium segments. By investing ahead of the curve in brands and production capacity we are well positioned to win.

Coupled with the combined success of our joint-ventures in Africa, India and Latin America, our emerging market presence and performance bodes well for the future.

Left Jean-François van Boxmeer  
Chairman of the Executive Board/CEO

Right René Hooft Graafland  
Member of the Executive Board/CFO







## Chief Executive's Statement continued

### The continued importance of Europe

HEINEKEN is Europe's largest brewer and Europe remains key to our future. The market dynamics are certainly challenging, and beer consumption across an ageing population is decreasing. This is the reality that we face. However, our teams are challenging this reality and as a result we continue to deliver year-on-year EBIT (beia) growth. This is being achieved by continued investment in brands and innovation, the creation of new categories and deepening relationships with key pan-European retailers. Working together allows us to create mutual benefit and value for our partners and HEINEKEN.

### HEINEKEN Global Shared Services (HGSS) in Kraków, Poland

Leveraging the benefits of HEINEKEN's global scale is key to our ongoing success. An important step in the process came with the opening of HEINEKEN Global Shared Services (HGSS) in Kraków, Poland. The facility is now managing the transactional finance activities of six HEINEKEN operating companies with the aim of accommodating all European countries in scope in 2015.

### Brewing a Better Future (BABF)

The first three-year commitments for BaBF came to an end in December. We are proud to be an organisation that embraces both the need for, and the practical application of, new ways of working that are better for our society and our planet. Sustainability is part of how we manage our business. 2012 saw us achieve our highest ever score in the SAM Dow Jones Sustainability Index and a significantly improved rating in terms of the Carbon Disclosure Project. However, we cannot be complacent. We continue to challenge ourselves and will announce new, focused targets later this year.

### Addressing the issues associated with alcohol

In October, we joined forces with other prominent international companies from the alcohol industry to back new global initiatives to reduce the harmful use of alcohol. As an industry, we have a proud record of being part of the solution on alcohol issues. But more needs to be done, especially in the areas of under-age drinking and the strengthening and expansion of marketing codes of practice. HEINEKEN will continue to play a leadership role, through working with governments, NGOs and with business partners to help find answers to reduce harmful drinking.

### Heineken® 140 years young in 2013

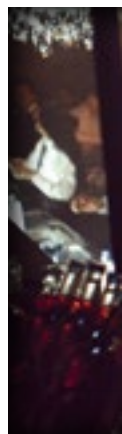
In December we kicked off the 140<sup>th</sup> birthday celebrations for Heineken®. The front cover of this year's Annual Report is a birthday greeting as we say 'congratulations', or in Dutch 'gefeliciteerd', to our world-famous brand. This was a special year for Heineken® with its involvement in the 2012 London Olympics in the summer and then in the latest James Bond film Skyfall. I expect 2013 to be equally as exciting and surprising for our consumers.

### The Magic of Heineken

In April we hosted the premiere of our film 'The Magic of Heineken'. It was a special event, attended by the Heineken family, former and current employees. In a little over an hour it tells the story of this great company. Since then, national premieres have been held across the world and all our employees are committed to keep the magic going.

### Roll-out of the Company Rules

Alongside the celebrating we also recognise that nothing is more important than ensuring that we all work in accordance with the values that have made this Company so successful. To help ensure this happens we reviewed, updated and launched our Company Code of Conduct and Company Rules during the year. By doing so we are ensuring that all employees are given guidance and are equipped to make the right decisions, whatever their role and wherever they may operate.

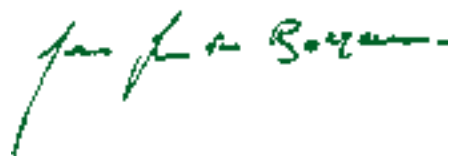




## Outlook 2013

### Thank you

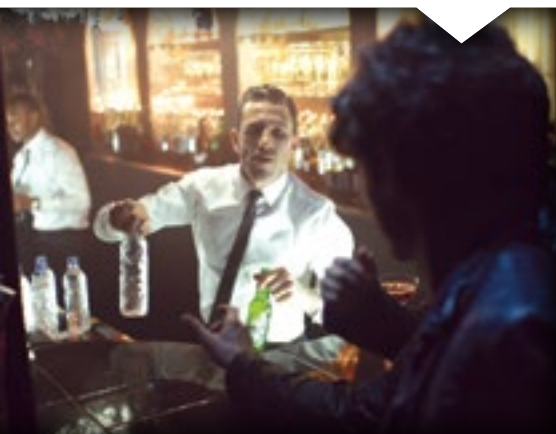
As I do every year, I want to thank all my colleagues around the world for their professionalism and commitment. We live in challenging times but this brings only greater resourcefulness. It is a privilege to work with such a dynamic and diverse group and to lead this exceptional Company. I would also like to thank every one of our consumers who make the choice to enjoy our brands, our business partners for their continuing support and all our stakeholders for their input into what we do and how we do it.



**Jean-François van Boxmeer**

Chairman of the Executive Board/CEO

Amsterdam, 12 February 2013



In 2013, HEINEKEN anticipates continued volume and revenue growth momentum. The higher growth regions of Africa, Latin America and Asia Pacific are expected to more than offset volume weakness in European markets affected by continued economic uncertainty and government-led austerity measures. However, HEINEKEN will continue to seek opportunities in Europe to drive positive price and sales mix.

The Heineken® brand is expected to continue to outperform the international premium segment and overall beer market in 2013 by further leveraging HEINEKEN's global marketing scale, superior brand campaigns and strong execution in the marketplace. In 2013, the continued growth and planned roll-out of HEINEKEN's other premium global brands – Desperados, Strongbow Gold, Amstel Premium Pilsner and Sol – are expected to support top-line development.

HEINEKEN expects marketing and selling (beia) expense as a percentage of revenue to remain broadly stable, reflecting improved marketing spend effectiveness from increased global scale (2012: 12.2 per cent).

HEINEKEN forecasts a slight increase in input cost prices (excluding the effect of currency translation).

HEINEKEN now expects to realise EUR525 million of cost savings under the TCM2 programme covering the period 2012-2014 (previously EUR500 million). The increase of EUR25 million reflects identified cost synergies under the acquisition of Asia Pacific Breweries (APB) and Asia Pacific Investment Pte Ltd (APIPL).

HEINEKEN expects to incur approximately EUR100 million of further upfront GBS costs through to the end of 2014 (with around two thirds of this spend expected in 2013). As a result of on-going productivity initiatives, HEINEKEN expects an organic decline in the number of employees in 2013.

HEINEKEN expects the effective tax rate (beia) in 2013 to be in the range of 27 per cent to 29 per cent (2012: 26.5 per cent). The higher tax rate can be primarily explained by the result of favourable outcomes with tax authorities in 2012 and the full year consolidation of APB and APIPL in 2013 which is subject to a higher effective tax rate.

HEINEKEN forecasts an average interest rate of around 4.5 per cent in 2013 (2012: 5.4 per cent) reflecting lower coupons on bond issuances in 2012.

Cash flow generation is expected to remain strong, further reducing the level of net debt. In 2013, capital expenditure related to property, plant and equipment is forecast to be EUR1.5 billion (2012: EUR1.2 billion) primarily reflecting the consolidation of APB and continued investment in higher growth markets to capture anticipated top-line growth. Increased investments in 2013 will be focused on brewing capacity expansions, the upgrading of existing production facilities and new commercial equipment. As a consequence, HEINEKEN expects a cash conversion ratio of below 100 per cent in 2013.

The acquisition of APB and APIPL is expected to be marginally EPS accretive in the first year.

# Executive Committee



**T**he two members of the Executive Board, the five Regional Presidents and five Chief Officers together form the Executive Committee. The Executive Committee is the highest consultative body within HEINEKEN.

The Executive Committee supports the development of policies and ensures the alignment and continuous implementation of key priorities and strategies across the organisation.

## 1. Jean-François van Boxmeer (Belgian; 1961)

### Chairman Executive Board/CEO

In 2001, appointed member of the Executive Board and from 1 October 2005 Chairman of the Executive Board/CEO. Joined HEINEKEN in 1984 and held various management positions in Rwanda (Sales & Marketing Manager), Democratic Republic of Congo (General Manager), Poland (Managing Director), and Italy (Managing Director). Executive Board responsibility for HEINEKEN Regions and Global functions: Human Resources, Corporate Relations, Supply Chain, Commerce, Legal Affairs, Strategy, Internal Audit and Company Secretary.

## 2. René Hooft Graafland (Dutch; 1955)

### Member Executive Board/CFO

In 2002, appointed member of the Executive Board. Joined HEINEKEN in 1981 and held various management positions in Democratic Republic of Congo (Financial Director), the Netherlands (Marketing Director), Indonesia (General Manager) and the Netherlands (Director Corporate Marketing, Director HEINEKEN Export Group). Executive Board responsibility for Global functions: Strategic Planning & Business Control, Tax & Financial Markets, Business Development and Business Services.

## 3. Didier Debrosse (French; 1956)

### President Western Europe

In 2005, appointed President Western Europe. Joined HEINEKEN in France in 1997 as Sales and Marketing Manager, after having worked with Nivea and Kraft Jacobs Suchard, where he had various commercial positions. He was later appointed General Manager of Brasseries HEINEKEN in France. In 2003 he became Managing Director of HEINEKEN France.

## 4. Frans Eusman (Dutch; 1962)

### Chief Business Services Officer

In 2010, appointed Chief Business Services Officer. Joined HEINEKEN in 1987. He has worked in various finance and general management positions in Europe and Asia, which included his role as Corporate Control & Accounting Director from 2003 to 2005. From 2005 to 2010, he was President of HEINEKEN France.

## 5. Marc Gross (French; 1958)

### Chief Supply Chain Officer

In 2005, appointed Chief Supply Chain Officer. Joined HEINEKEN in Greece as plant manager in 1995. In 1999 he became Regional Technical Director North, Central and Eastern Europe. In 2002 Marc became Managing Director of HEINEKEN Netherlands Supply. Prior to joining the Company, he held various management roles with international food and consumer businesses (Danone, Sara Lee).

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**6. Siep Hiemstra (Dutch; 1955)****President Africa and the Middle East**

In 2011, appointed President Africa and the Middle East. Joined HEINEKEN in 1978. Between 1995 and 1998 he was Deputy Director Africa. In 1998, Siep was appointed Regional Director SEA/Oceania with Asia Pacific Breweries Ltd. in Singapore. In 2001, he was appointed Director of HEINEKEN Technical Services in the Netherlands and Regional President HEINEKEN Asia Pacific in 2005, based in Singapore.

**7. Jan Derck van Karnebeek (Dutch; 1967)****President Central and Eastern Europe**

In 2012, appointed President Central and Eastern Europe. Joined HEINEKEN in 1991. In 1999, he was appointed Commercial Director HEINEKEN, Slovak Republic. In 2001, he became General Manager HEINEKEN Beer Systems in the Netherlands. From 2006 until 2009, he managed HEINEKEN/CCHBC, Bulgaria and in 2009 became Managing Director HEINEKEN Romania.

**8. Alexis Nasard (Lebanese; 1966)****Chief Commercial Officer**

In 2010, joined HEINEKEN and appointed Chief Commercial Officer. He spent 17 years with Procter and Gamble (P&G) in senior marketing and management roles. From 2006, Alexis was General Manager of the Personal Care business for Central and Eastern Europe, the Middle East and Africa.

**9. John Nicolson (British; 1953)****President Americas**

In 2008, appointed President Americas. John started his career at Imperial Chemical Industries (ICI) and spent 16 years at Unilever. He entered the beer industry in 1993 through Foster's Brewing Group as Group Executive Director of the Courage business. In 1995, Scottish & Newcastle acquired the Courage business and he took up the role of Group Marketing Director. In 1998 John became Corporate Development Director. From 2000 until April 2008, he was an Executive Board member of Scottish & Newcastle plc.

**10. Michael O'Hare (Irish; 1967)****Chief Human Resources Officer**

In May 2009 joined HEINEKEN and appointed Chief HR Officer. He spent 13 years at PepsiCo, two of them as Chief Personnel Officer Asia. Between 1998 and 2004, he was based in the US both within Head Office and operating business units. From 2004 to 2007, he held the function of Chief Personnel Officer/VP Greater China. Prior to this, he spent five years in Finance.

**11. Sean O'Neill (British; 1963)****Chief Corporate Relations Officer**

In 2005, appointed Chief Corporate Relations Officer. Joined HEINEKEN in 2004, following eight years in senior roles within the alcoholic beverages sector. Prior to this, he held international management roles in the UK, Russia, the Middle East and Australia for a global corporate affairs and communication consultancy.

**12. Theo de Rond (Dutch; 1954)****President Asia Pacific**

In 2011, appointed President Asia Pacific. Joined HEINEKEN in 1978. From 1994 to 2001, he was responsible for sales and marketing at HEINEKEN Netherlands. In 2001, he became HEINEKEN's Corporate Marketing Director. From 2003 to 2007, Theo managed the Company's joint venture Guinness Anchor Berhad in Malaysia. In 2007, he was appointed General Manager of HEINEKEN's joint venture Compañía Cervecerías Unidad (CCU) in Chile.



# Operational Review

HEINEKEN is focused on five business priorities. Each one helps us to achieve our goal of winning in all markets with Heineken® and with a full brand portfolio in markets where we choose.

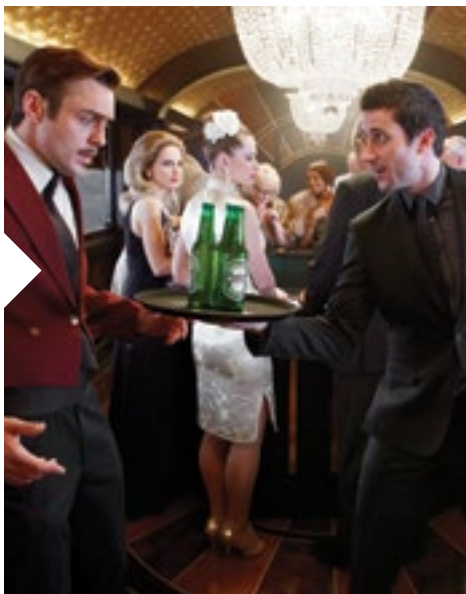


## 1. Grow the Heineken® brand

The Heineken® brand is a key strategic asset and is the undisputed leader in the international premium segment.



p12-13



## 3. Capture the opportunities in emerging markets

HEINEKEN has transformed its emerging market presence in recent years through a clear acquisition strategy, strong organic growth and our excellent joint venture partnerships.



p16-17



## 2. Consumer-inspired, customer-oriented and brand-led

HEINEKEN is committed to being part of the conversation with consumers and being recognised as the preferred partner for its customers.



p14-15





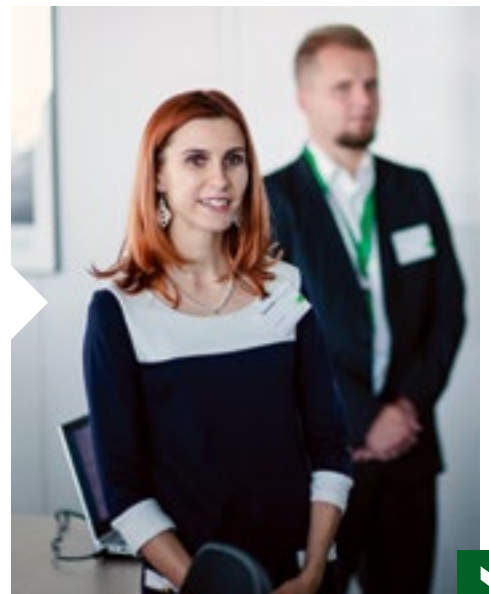


## 5. Drive personal leadership

HEINEKEN employs more than 85,000 people in over 70 countries. As our business continues to grow in scale and complexity people are our main source of competitive advantage.



p20-21



## 4. Leverage the benefits of HEINEKEN's global scale

As the world's most international brewer, HEINEKEN is investing in new business initiatives aimed at leveraging the scale of our global operations.



p18-19



## Brewing a Better Future

Brewing a Better Future is about creating real sustainable value for all our stakeholders. It is integral to enabling the Company to achieve its business objectives.



p22-23



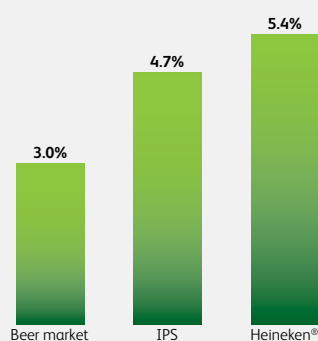
### 1. Grow the Heineken® brand

The Heineken® brand is a key strategic asset and the undisputed leader in the international premium segment (IPS).

Heineken® has consistently outperformed the overall beer market, the international premium segment, and our own portfolio over the past several years. We aim to excite our consumers with effective global marketing platforms, such as the current 'Open Your World' campaign. We continue to explore opportunities to introduce Heineken® in new markets in response to the growing consumer demand for high quality, premium beer brands around the world.

#### Heineken® outperforming IPS and beer market

(Volume growth CAGR 2005-2012F)



In 2012, the Heineken® brand in the premium segment delivered solid organic volume growth of 5.3 per cent, outperforming the total Beer category as well as the international premium segment. This has led to additional share growth in key geographies.

Brand performance was strong both in developed (e.g. US, France, UK) and emerging markets. It was particularly noticeable in Brazil, Russia, India, China and Nigeria where Heineken® enjoyed double digit growth.

This development was largely due to a global approach to brand management and to effective marketing.

A major highlight for Heineken® in 2012 was the sponsorship of the most successful ever James Bond film, Skyfall.



Throughout the year we continued to leverage our global scale and implemented our global positioning in multiple markets. Our new iconic green brand bottle has been successfully launched in Nigeria, Poland, Malaysia, Chile and Argentina. In 2013, further roll-out of the bottle is planned in Vietnam, Thailand, the Netherlands and the United States.

### 'Open Your World'

Design has created an opportunity for Heineken® to be part of our consumer's digital conversations. The 'Open Your World – Limited Edition' bottle range pays tribute to key milestones in the brand's rich history, and in 2012 we invited consumers from around the world to imagine and design our future bottle. This digital-led contest generated thousands of design proposals, and continues to be 'part of the conversation' in the media and on blogs in more than 50 countries.

Our 'Open Your World' campaign was further expanded with the online film 'The Date', being aired in more than 30 countries. In conjunction with the film, we ran a significant social media programme inviting consumers to 'Serenade their Date' through Facebook on Valentine's Day. More than 1.7 million consumers took part in 'Serenade'.

### James Bond

A major highlight for Heineken® during the year was the latest partnership with the most successful ever James Bond film Skyfall. To support this we launched a new global campaign 'The Express'. Skyfall marked the 50th birthday of the Bond franchise and the 16th year that Heineken® has been associated with James Bond. To celebrate, for the first time ever, Bond was seen enjoying a Heineken® in the film, and the actor Daniel Craig appeared as Bond in our ad.

To date, this campaign has been watched online by more than 22 million consumers worldwide, with the largest number of views coming from the US, Brazil, Germany and Mexico. Beyond this huge digital visibility, more than 50 markets utilised the campaign on both television and in cinemas. The campaign was supported by an

interactive marketing programme called 'Crack the Case' which invited consumers in major cities around the world to demonstrate online their own 'James Bond qualities'. In total, more than 800,000 consumers took part and shared their experience with friends on their favourite social media channels. Limited edition bottles and special promotional programmes were activated in on- and off-premise outlets all around the world, transforming this large marketing programme into an enormously effective driver of sales.

### UEFA Champions League

2012 was also a strong year for our sport partnerships. The campaigns to support our largest single sponsorship, the UEFA Champions League (UCL), have again proved successful in building brand equity, especially in emerging markets.

### 'Enjoy Responsibly'

It is our responsibility to inform consumers that beer should be enjoyed in moderation.

Since 2009 Heineken® has been utilising its UCL sponsorship to deliver 'Enjoy Responsibly' messaging. 20 per cent of marketing assets are dedicated to 'Enjoy Responsibly' and one of every three of our advertising boards in the stadia carry the message.

In 2012, one billion unique viewers in 200 territories worldwide watched the UCL matches. Research shows that more than 500 million people are aware of our partnership with the UCL. Of these, 33 per cent recognise the 'Enjoy Responsibly' message.

In all our key international events – music, sport and entertainment – we deliver a strong 'Enjoy Responsibly' message.

### 2012 London Olympics

A few weeks after Chelsea's Champion's League success in Munich, Heineken® was a sponsor of the sporting event of the year in the UK, the 2012 London Olympic Games. Our involvement generated high visibility for our brand and strong sales in all venues. In addition, the Holland

Heineken® House was voted the Gold Medal Winner for being the best party location in London during the Games.

### 140 Years Young

In December, we closed the year with the kick-off of our 140<sup>th</sup> Heineken® birthday festivities. In 2013, this important milestone will be an opportunity to delight more of our consumers at points of sale with inventive and congruent marketing activities. In the year ahead, we will once again follow our motto of being consistent in delivering gold-standard quality, to surprise our consumers and stay part of their conversation.







## 2. Consumer-inspired, customer-oriented and brand-led

HEINEKEN is committed to being part of the conversation with consumers and being recognised as the preferred partner for its customers.

We have more than 250 international, regional, local and specialty brands and other beverages meeting a diverse range of consumer tastes and preferences. In addition to our flagship Heineken® brand we are investing in the expansion of our other global brands including Desperados, Strongbow Gold, Amstel Premium Pilsener and Sol and are increasing the rate of innovation to drive top-line growth. Strong customer management capabilities and world-class in-store execution enables us to create value for customers and drive long-term business success.

### Roll-out of Radler beer

Radler is an innovative mix of beer and natural juice.

Launched in eight countries in 2012, it has lower alcohol content and taps into new consumption occasions for beer.



To further develop the premiumisation of our portfolio, we have made strong and steady progress in the development of our other global brands – Desperados, Sol, Strongbow Gold and Amstel Premium Pilsener – supporting each of them with world-class marketing programmes.

### Innovation

Innovation remains a strategic focus area for HEINEKEN and we are well on track to reach our target innovation rate of 6 per cent of annual revenues by 2020. At the end of 2012, the innovation rate was 5.3 per cent, corresponding to innovation revenue growth of EUR1 billion. This reflects the roll-out of both local innovations as well as an accelerated roll-out of global innovations – Desperados was launched for the first time in Africa and South America, Sol in Finland and Greece with a new marketing mix, Amstel Premium Pilsener in Serbia and Argentina and Strongbow Gold in Hungary. Significant progress has been made across all regions.

## Other global brands

### Amstel Premium Pilsener



A heritage that dates back to 1870, the Premium Pilsener brand extension continues to prove popular with consumers who understand that you need 'time for quality'.

### Desperados



A tequila flavoured beer. The brand positioning of 'turning good moments into unforgettable experiences' has driven strong performance in many markets.



## Capabilities

The 'Building Winning Portfolio' brand reviews continue to be the foundation of successful brand and portfolio development in markets. In 2012, reviews were completed and updated for the Democratic Republic of Congo, Russia, Poland, US, Greece, UK and Egypt.

We are step-changing our common understanding and analysis of consumer and market metrics transferring incompatible tools and methods into single, state-of-the-art approaches to innovation testing, advertising protocols, brand health measures and market measures. These actions are critical to take full advantage of the global scale and broad footprint of the Company. This 'One version of the truth' will help us to speed up the roll-out of winning ideas, to accelerate powerful advertising for core markets, and to focus management attention on areas of underperformance.

The Consumer & Market Intelligence function has been re-designed, aligning central and local teams for core deliverables and accountability. The launch of the global Market Research sharing tool has created greater efficiency in the function through enhancing capabilities and improving organisational alignment. This in turn

ensures that the consumer and market perspective remains at the heart of our decision making process.

The Global Commerce University (GCU) was established in 2010 to support business capability building across the commercial function. In 2012, thousands of commerce professionals were trained across marketing, sales and general management positions. Six masterclasses are running at the GCU Campus: Portfolio and Revenue (where to play), Consumer and Brand Strategy (how to win) and Advertising and Digital Marketing (what to do). All courses focus on developing stronger brands with the consumer perspective at the centre.

The GCU sales module is all about winning with Consumers, Shoppers and Customers. In 2011, our focus was on designing a number of priority programmes, while in 2012 we deployed the programme globally. During the year, 19 Sales NAVIGATOR capability assessments were made globally, enabling us to prioritise three-year capability development roadmaps for our main operating companies. These ranged from strategic programmes, including Category Vision, Channel Strategy and Route-to-Market, to Planning and Execution programmes such as Shopper Insights, Channel Activation, Customer Planning, Draught Beer Management, Distributor Management and Sales Execution Excellence.



## Sol



A brand born in Mexico in 1899 that has a premium proposition based on 'resisting the pressure to conform'. A new marketing campaign was launched in Finland during 2012 with exciting results.

## Strongbow Gold



Made from 100 per cent apples and nothing else, Strongbow Gold provides a refreshing alternative to beer. The global roll-out continued during 2012.

We have made strong and steady progress in the development of our other global brands.

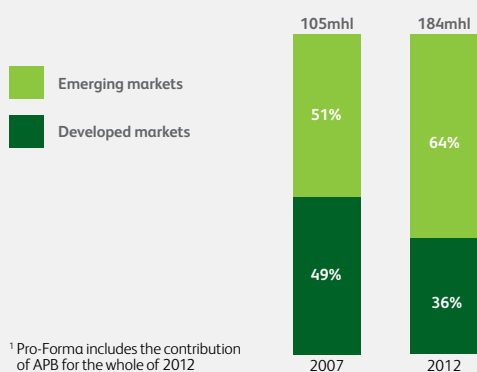


### 3. Capture the opportunities in emerging markets

HEINEKEN has transformed its emerging market presence in recent years through a clear acquisition strategy, strong organic growth and our excellent joint venture partnerships.

The acquisition of APB and APIPL in November 2012 is a continuation of our strategy. It gives the Company direct access to a number of important beer markets in South East Asia, the Pacific Islands and China. In Africa, we have operations in 20 countries and export to virtually all countries on the continent. We have strengthened our emerging market footprint in the Americas following the earlier expansion into Mexico and Brazil. We continue to target future profit growth through taking full advantage of the enormous potential offered in emerging markets.

Consolidated beer volume from emerging markets – Pro-Forma 2012<sup>1</sup> versus 2007



**H** EINEKEN has continued to strengthen its platforms for future growth through a clear acquisition strategy and solid organic growth.

On a full year 2012 pro-forma basis, the proportion of consolidated beer volume and EBIT (beia) generated from emerging markets was 64 per cent and 59 per cent, respectively.

#### Asia Pacific

The acquisition of APB and APIPL brings the iconic Tiger® brand into the HEINEKEN portfolio and provides direct access to two of the most exciting growth regions for beer – South East Asia & the Pacific Islands and China.

Heineken® and Tiger® account for more than one-third of the international premium segment (IPS) in the Asia Pacific region.





Tiger® benefits from strong consumer recognition both within Asia and in many other markets around the world. This will enable HEINEKEN to further maximise the international potential of the brand.

APB is the leading brewer in South East Asia and the Pacific Islands and enjoys number one or number two positions in ten markets. Its success has been built on the growth of Heineken®, Tiger® and established local premium brands including Biere Larue in Vietnam, Bintang in Indonesia, SP in Papua New Guinea and Tui in New Zealand.



The acquisition has also reinforced HEINEKEN's position in China where premium beer represents a profitable growth opportunity. Our strategy in China is based on premium segment leadership with the Heineken® and Tiger® brands and a relentless focus on premium quality. This strategy is yielding encouraging results. In 2012, the Heineken® and Tiger brands grew.

The Heineken® brand is an important part of APB's existing business. Since 2001 average annual brand growth has been more than 10 per cent, with Vietnam now well-established as the second-largest market globally for Heineken® by volume. Combined, Heineken® and Tiger® account for more than one-third of the international premium segment (IPS) in the Asia Pacific region.

#### Africa

For more than a century HEINEKEN has been present in Africa and passionate about the continents' huge potential for growth. The combination of growing populations, strong expected economic growth, improved political stability and in many markets an emerging, brand-conscious middle class creates attractive growth opportunities. These trends in 2012 benefited Heineken®, the clear leading IPS brand in Africa, and our regional blockbuster brands such as Primus, Star, Gulder, Mützig, Maltina and Turbo King.



A focus on innovation is helping us to drive volume and market share growth at both a market and regional level. In August, aluminium neck foil was introduced on the Star bottle, the market leading brand by volume in Nigeria. It is the only mainstream brand in the country to have this feature and has helped build the brand's premium credentials and is a strong confirmation of quality.

PET packaging has been launched through brands including Primus® and Turbo King®, enhancing consumer convenience and tapping into relevant consumer occasions. We continued to invest ahead of the anticipated growth curve in Africa to enable us to seize the opportunity. Capacity expansion programmes were implemented in Algeria, the Democratic Republic of Congo, Nigeria, Rwanda and Tunisia.

In addition, we invested in upgrading the two breweries that we acquired in Ethiopia in 2011 and in reinvigorating the local brands. The results have been encouraging. We have also made good progress in the development of a green-field brewery close to Addis Ababa that will brew Heineken®.

#### Mexico

In Mexico, we continue to benefit from the successful implementation of our value growth strategy following the acquisition in 2010. Focused brand investment behind new marketing campaigns and upgraded packaging have supported growth of the Carta Blanca, Tecate, Dos Equis, Sol and Indio brands. In addition, increased outlet distribution and targeted activation programmes resulted in the Heineken® brand volume more than doubling in 2012.

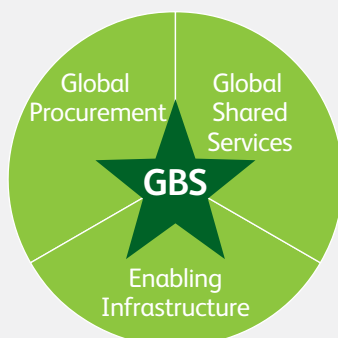


### 4. Leverage the benefits of HEINEKEN's global scale

As the world's most international brewer, HEINEKEN is investing in new business initiatives aimed at better leveraging the scale of our global operations across commerce, supply chain, purchasing, information services (IS), human resources and finance.

Within Global Business Services (GBS), the opening of the HEINEKEN Global Shared Services centre (HGSS) in Kraków and the establishment of HEINEKEN Global Procurement (HGP) Company in the Netherlands are recent examples of this. These initiatives will enable HEINEKEN to deliver high quality services to the business, while also delivering operational cost efficiencies.

#### GBS – Driving greater efficiencies across the Company



**B**uilding on the progress made in 2011, Global Business Services (GBS) has continued to leverage HEINEKEN's increased scale across Finance, Procurement and IS. The GBS organisation is delivering bottom-line benefits, supporting operating companies and global strategic initiatives. In 2012 the GBS ways of working were embedded in HEINEKEN operating companies.

#### Global Shared Services

Following the establishment of the HEINEKEN Global Shared Services (HGSS) centre in Kraków, Poland in 2012, six HEINEKEN operating companies successfully migrated their transactional finance activities to the centre – UK, Romania, France, Ireland, Hungary and HGP. These operating companies are served by more than 200 HGSS-based employees, representing nine different nationalities and 18 spoken languages, delivering high quality services to the business. The HGSS and operating companies work co-operatively with each other, governed



In 2012 the GBS ways of working were embedded in HEINEKEN operating companies.



by a Service Management agreement. Drawing on LEAN and Six Sigma practices the HGSS and operating companies employees are focused on Continuous Process Improvement, a key component to unlock the End-to-End Finance benefits.

As an example of this success, Ireland has achieved 100 per cent accuracy on the monthly reporting process only six weeks after migrating to HGSS.

### Global Procurement Company

Based in the Netherlands, the HEINEKEN Global Procurement (HGP) Company is leveraging scale benefits to drive operational cost savings, improve working capital and reduce cost price volatility risk. As part of HEINEKEN's focus on operational cost saving, approximately 30 global initiatives were activated in 2012 on raw materials and packaging expenses and over 2,000 on non-product related spend areas by the HGP team. HEINEKEN is also working with suppliers to secure 'win-win' benefits, of which the Supplier Finance initiative is an example. In the third quarter of 2012, the UK went live with the Supplier Finance programme, to improve the working capital efficiency of both HEINEKEN and its suppliers. The HGP is instrumental in the global implementation of HEINEKEN's Supplier Code, a key element in our approach to sustainable business.

### Global Information Services

HEINEKEN's Information Services strategy is focused on supporting the business, through centrally coordinated IS assistance for global strategic initiatives and implementation of common IS solutions in the operating companies. Delivery of this agenda will increase both global uniformity in the ways of working and drive local efficiencies.

HEINEKEN continues to focus on the effective and efficient use of Information Services by reducing complexity in the infrastructure and applications landscape.

In 2012, a new HEINEKEN standard Enterprise Resource Planning (ERP) system for brewing operations and sales force key accounts was implemented in the Poland operating company. Outside of Europe, HEINEKEN IS has supported the business through the roll-out of solutions to Sierra Leone, Nigeria and Ethiopia.

### Global Commerce

Starcom MediaVest was appointed in July 2012 as HEINEKEN's first global media agency. HGP played an important role in negotiating the agreement. By consolidating 14 agencies into one global partner, we are able to leverage the scale of our global footprint in a number of ways. Scale efficiency generates cash savings in media

investment and scale effectiveness leads to better ways of working. Going forward, we are confident that successful media innovations can be identified, spread and embedded faster.

### Global Supply Chain

We continue to leverage our global scale by centrally developing programmes which are implemented across all regions. HEINEKEN IS is supporting Global Supply Chain across a number of these projects.

In production and logistics, we continued improvement initiatives to achieve sustainable results via our Total Productive Management (TPM) programme. This was supported by global training initiatives, twice yearly audits and we further strengthened the customer focus via End-to-End Supply Chain Mapping.

In order to meet demand in growing markets, HEINEKEN invested heavily in the expansion of its production capacity. By leveraging this scale we have been able to reduce the Total Cost of Ownership, achieve higher equipment reliability and shorten time-to-market.

We continue to leverage our unique global brewery network by getting better insights in the total Supply Chain from source to customer. This allows us to innovate within a shorter time. Our Supply Chain structure has been re-organised to support the Company's innovation agenda.

We continue to accelerate our knowledge sharing through our global Knowledge Management system, which drives best practices by exchanging knowledge from all our production units around the globe.





### 5. Drive personal leadership

HEINEKEN employs more than 85,000 people in over 70 countries.

As our business grows in scale and complexity, people are our main source of competitive advantage. We need them to think globally, work collaboratively, inspire others and develop themselves and their teams. By ensuring that we all speak a common language and build our capabilities in a systemic way – from marketing and sales to finance and human resources – we are increasingly harnessing the power of a geographically diverse team to ensure we win consistently.

#### The HEINEKEN Leadership model



Our Strategy to Win sets out clear priorities for achieving sustainable, long-term success. These priorities help us to build on our unique strengths and assets: our heritage, our scale, our brands and especially our people, who remain our primary source of competitive advantage.

Our culture, how we behave and how we work together, defines our ability to win. We have continued to invest in building a high-performance learning culture that fosters personal leadership, interdependence and disciplined professionalism among more than 85,000 employees worldwide. We have done this through a number of inter-related areas including leadership and functional capability, talent management, performance management and reward.

#### Leadership and Functional Capability

A key step in building leadership capability is to clearly frame what we expect from leaders in order to execute our strategy. In 2012, we launched six new HEINEKEN Leadership Competencies in order to equip our leaders with a common understanding of what is expected of them in their roles. The new framework is complemented by an online Leadership Academy which contains further tools and



an updated leadership 360° feedback process with structured coaching and follow-up.

Our flagship development programmes for HEINEKEN talents, the INSEAD-based HEINEKEN International Management Development Excellence Course (HIMDEC) and the HEINEKEN International Management Course (HIMAC) were updated to align with the new leadership competencies and our current strategic challenges. In 2012, we developed more than 140 nominated leaders through these programmes, and our Executive Committee played an active role in teaching the courses.

In addition, we continued the deployment of our comprehensive development programme for First Line Managers (FLM). By the end of 2012, nearly 700 FLM in 32 operating companies took part in this initiative. Regional 'talent' events in Africa and the Middle East and Central and Eastern Europe provided cross-regional skill building and networking opportunities for leadership talents and senior managers.

In order to develop functional capability and competencies, we have implemented common language, processes and systems across all our global functions. These competency frameworks are linked to a range of blended

learning offers via a new integrated e-learning platform for all HEINEKEN functional and leadership academies.

### Talent Management

Over the last year, significant steps have been taken to create and improve processes to manage the talents of our organisation. The Resource Committees, which oversee Senior Management resourcing and succession planning, have been restructured and operate consistently across all functions. In addition, we have continued to embed Personnel Development Plans (PDP) across the Company and developed a career framework definition which will be deployed further in the coming year.

We also expanded participation in the HEINEKEN International Graduate Programme (IGP), our 18 month experience-based acceleration programme. In 2012, 19 graduates representing 14 nationalities were selected from approximately 18,000 applicants. A total of 37 graduates working on assignments across all regions are now part of this programme.

In the coming years, we will continue our focus on various Talent Management initiatives (including work currently under way to ensure global consistency in our talent identification process) to leverage the benefits of our global talent scale and to realise our ambition of having world-class talents in all our key positions.

### Performance Management

Performance management has been a key focus across HEINEKEN in 2012. Specifically, we have implemented a new performance management structure for senior managers creating a clear distinction between the short-term variable pay agreement for bonus calculation and an Annual Performance Agreement which rewards an individual based on how they achieve their objectives. In addition, we linked the achievements of defined targets to key behaviours aligned with our HEINEKEN Leadership Competencies.

Following a calibration of performance ratings for senior managers in 2011, we created the foundation to extend the process beyond senior managers in 2012. We will roll out the consistent performance management process worldwide during the coming years. We also introduced enhanced variable compensation levels (STI/LTI) for all senior managers, along with stretch targets. These initiatives foster sustained performance and support the culture shift towards our ambition to be a high-performance organisation.

### Reward

Finally, we educated all HR managers on the key drivers of personnel cost management and we increased the focus on effective senior manager rewards, sales compensation schemes and pension plans. Key achievements include monthly reporting on personnel cost developments, an updated senior manager reward policy, comparisons of sales compensation schemes and a mapping of pension plans of the 20 largest operating companies.

HEINEKEN will continue to ensure we develop the required individual and organisational capabilities to drive the personal leadership necessary for the successful execution of our Strategy to Win.



Our culture, how we behave and how we work together, defines our ability to win.





### Brewing a Better Future, our approach to building a sustainable business.

In 2010, we created Brewing a Better Future (BaBF), a new framework to enable us to deliver on our responsibilities to our employees, to the communities in which we operate and to the environment.

BaBF is built around three strategic imperatives:

- Continuously improve the environmental impact of our brands and business
- Empower our people and the communities in which we operate
- Positively impact the role of beer in society.

#### GBCHealth Business Leadership Award

In May, HEINEKEN received the prestigious GBCHealth Business Leadership Award for our enduring commitment to and excellence in our support for health-related programming for employees, their dependants and the communities in which we operate.



[www.sustainabilityreport.  
HEINEKEN.com](http://www.sustainabilityreport.HEINEKEN.com)



hroughout the year we have continued to deliver our BaBF goals and progress on our journey towards becoming a truly sustainable business.

#### 2012, the year of delivery

We have made good progress against our goals, including:

- Further reduction in specific energy consumption
- Roll-out of eco-design methodology for packaging
- Reduction in production-related accidents
- Almost all of our nearly 500 global suppliers and 34,000 local suppliers have signed the Supplier Code.

BaBF is also embedded in our operating companies. Each of our businesses has its own sustainability committee and three-year sustainability plan integrated within the strategy of the business unit. In 2012, there were some notable achievements and actions by our markets to deliver against local plans and targets:

- HEINEKEN Italy installed more than 8,000 solar panels on the roof of a bottling plant, packaging plant and warehouse, covering in total over 27,500m<sup>2</sup> (equivalent to 4.5 football fields).
- HEINEKEN Spain signed a five-year agreement with the Andalusian Government and a leading supplier of malt to protect biodiversity covering 13,000 hectares of land used to produce barley.
- HEINEKEN UK received the highest ranking of 'Platinum Plus' in the Corporate Responsibility (CR) Index. It was also voted 'Best Company in the Food and Drink Sector'. The CR Index is the UK's leading voluntary Corporate Responsibility benchmark.

#### Benchmarking our performance

We continue to benchmark our performance against that of our peers and leading companies in the sustainability arena. This is important as we strive for constant improvement in what we



do. The good progress that we are making is highlighted by the increased external recognition that we received during the year:

- SAM Dow Jones Sustainability Index – we received our highest ever score in the assessment.
- Investors CDP – we received a 'B' for performance and 88 out of 100 for disclosure.
- FTSE4Good – we have again met the criteria for inclusion in this ethical investment index.

### Engaging with stakeholders

Maintaining an open and two-way dialogue with stakeholders is a crucial element in embedding sustainability.

In 2012 it has taken on added significance as we sought our stakeholders views on what our focus and targets should be for the coming three years. Their input was invaluable and means that our new three-year targets will be rooted in reality and materiality.

During the year, we engaged our stakeholders in various ways, including:

- Reputation research. An in-depth study across 31 markets and 4,000 stakeholders to give us feedback on a number of issues, including how they view HEINEKEN as a 'responsible and sustainable' company.
- Global expert meetings. We organised three global meetings with experts from different stakeholder groups and our own internal specialists. The meetings were based on water and agriculture, the environmental impact of our value chain, and people.
- Ongoing stakeholder dialogue and local stakeholder meetings. We met with many stakeholders during the year at a global level to exchange views and discuss developments. Several of our operating companies also have structured plans in place to regularly meet with stakeholders.

- Partnerships and round tables. We continued to participate in important conferences and fora, including UN Global Compact LEAD, CEO Water Mandate, Beverage Industry Environmental Round Table (BIER), World Economic Forum, the European Alcohol and Health Forum, the Dutch Sustainable Growth Coalition, and the Sustainable Agriculture Initiative (SAI).
- Engagements with stakeholders across the value chain included working with suppliers to support their implementation of our Supplier Code and working with our customers to establish a dialogue about how we can best work together to drive our sustainability agenda.

### Transparency is key

In our interaction with stakeholders, we recognise the need for clarity about our performance. In order to achieve this, we publish both global and local sustainability reports. In 2012, we published a total of 33 local markets reports, all of which are accessible through our website. A brief overview of our global results and activities can be viewed at [www.theHEINEKENcompany.com](http://www.theHEINEKENcompany.com). For full details please go to our online Sustainability Report ([sustainabilityreport.HEINEKEN.com](http://sustainabilityreport.HEINEKEN.com)). The report for 2012 will be published in April 2013.

### Continuing the responsible consumption journey

Launched at the end of 2011 and implemented throughout January 2012 the global 'Sunrise' campaign reinforced the importance of staying in control and made drinking in moderation a positive, aspirational behaviour. Consumers found the campaign both credible and effective in promoting responsible drinking. Based on the campaign HEINEKEN's credibility in promoting this message, amongst those exposed to the commercial, jumped by 22 per cent (from 64 per cent to 86 per cent).

On 9 October, Jean-François van Boxmeer joined other alcohol industry leaders in the Global Alcohol Producers Group to back new initiatives aimed at reducing the harmful use of alcohol. Specific focus will be on addressing under-age drinking and strengthening and expanding marketing codes of practice.

### Looking ahead to 2015



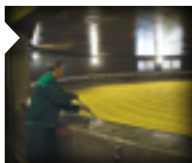




Having reached the end of the first three years of Brewing a Better Future, we have reviewed our progress and identified our priorities for the next three years.

We have assessed global trends and their impact on our operations. Issues such as water scarcity, climate change, food security, the increasing importance of corporations in emerging markets and the responsible consumption agenda are key elements in defining where we need to take our next steps.

This process has led to a revised agenda which will form the platform for our ongoing commitment to sustainability. More on our commitments for 2013-2015 will be disclosed with the launch of our Sustainability Report in April 2013.

Seeking an open dialogue with stakeholders is a crucial element in challenging ourselves to embed sustainability.

From Barley to Bar we target improvements throughout the value chain.

Agriculture	Malting	Brewing	Packaging materials	Distribution of beer	Customers	Consumers
						
Growing crops	Malting barley	Brewing beer	Producing bottles, cans and kegs	Distribution	Cooling and recycling	Responsible consumption

# Regional Review

## The world's most international brewer

Wherever you are in the world, you are able to enjoy one of our brands. We own, market and sell more than 250 of them.

Our principal global brand is Heineken®, the world's most valuable international premium beer brand. In our global portfolio Heineken® sits alongside a number of international premium, regional, local and specialty beers and ciders.

### Western Europe

HEINEKEN is Europe's leading brewer. We have operating companies in 10 countries and an Export and Duty Free business.



p26-27



### Africa and the Middle East

HEINEKEN first imported beer into Africa in 1900. Today we have operating companies in 20 countries in the region and brew a number of blockbuster brands.



p32-33





## Central and Eastern Europe

HEINEKEN has a rich product portfolio of leading brands. We have operating companies in 14 countries and we own and operate more than 50 breweries across the region.



p28-29



## Americas

We operate 20 majority-owned breweries and seven joint venture breweries in a region characterised by attractive, growing and profitable markets.



p30-31



## Asia Pacific

The acquisition of Asia Pacific Breweries means we now have a presence in 19 countries in the region and operate 25 breweries. In India our joint venture company is UBL. It is the market leader and has 18 breweries.



p34-35



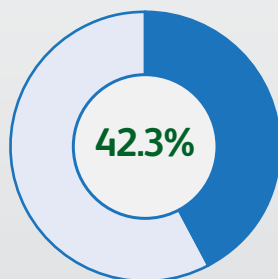
# Western Europe

“Through product innovation, continued brand investment and forging strong partnerships with modern-trade retailers we have further reinforced our leadership positions across the region.”

**Didier Debrosse**  
President Western Europe

Revenue

**€7,785 million**



EBIT

**€740 million**

Consolidated beer volume

**44.3 million hectolitres**

EBIT (beia)

**€964 million**

Heineken volume in premium segment

**8.0 million hectolitres**

Consolidated beer volume as % of Group

**25.8 per cent**

Group beer volume declined organically by 2 per cent. Beer markets in the region were adversely impacted by challenging economic conditions, rising VAT and beer excise rates in several markets and declining consumer spending in on-premise channels.

Despite these challenges, regional volume performance was resilient, contributing to share gains in the UK, France, Ireland and Belgium and stable market share in the Netherlands. In December 2012, the French government approved a 160 per cent increase in the beer excise tax rate, effective from 1 January 2013. The effect of stock building in France in the fourth quarter of 2012 (ahead of the planned excise duty increase), is estimated to have increased regional group beer volume by 0.5 per cent in 2012. There was a corresponding 0.5 per cent negative impact to 2012 regional beer volumes following the planned withdrawal of a product in the high-promotion discount channel in Finland.

Key brands





Revenue on an organic basis was in line with the prior year as the benefit of higher pricing and improved sales mix offset lower volumes. EBIT (beia) includes a EUR57 million positive contribution from the first-time consolidation of Galaxy pubs. The appreciation of the British pound added a 1 per cent positive currency impact. On an organic basis, the decline in EBIT (beia) primarily reflects higher input costs and an adverse trade channel mix. Profit grew in the UK, Italy and Ireland and was lower in the Netherlands, France, Spain, Portugal and Finland.

Beer volume in the **UK** outperformed a declining market and contributed to a share gain of around 60 basis points. Foster's extended its mainstream beer leadership in the off-premise channel, whilst the Heineken® brand grew strongly, benefiting from premium brand building activities including the London 2012 Olympic Games and the James Bond 'Skyfall' partnership. Gains in the off-premise channel mostly offset reduced consumption in the on-premise channel, due to poor summer weather and the challenging economic environment. 2012 saw the launch of both new Strongbow packaging and Strongbow Pear alongside continued growth of Bulmers, but overall cider volumes declined in low single digits. Business performance was further supported by

continued growth of Foster's Gold and Desperados as well as the consolidation of the Galaxy Pub Estate.

Domestic beer volume in **France** grew in the mid-single digits, including the benefit of inventory stock build by retailers ahead of the planned excise duty increase from 1 January 2013. Excluding this positive impact, volume would have been in line with prior year. HEINEKEN again outperformed the market, resulting in volume and value market share leadership in the country. Excluding the impact of stock building, the key brands of Heineken®, Pelforth and Desperados all grew in 2012.

Volume in **Spain** declined by low-single digits. The effect of rising unemployment and government austerity measures (including a higher VAT rate in on-premise outlets) continued to impede consumer confidence and erode household incomes, leading to lower volume in on-premise outlets. Volume in off-premise outlets was stable despite growth in private label brands and a consumer shift towards the discount channel. The challenging economic circumstances contributed to a mid-single digit volume decline in the fourth quarter of 2012. Various innovations including Amstel Extra, Sol and Desperados were successfully introduced during the year.

Volume of domestic beer sold in **Italy** was in line with the prior year. This volume performance reflects declining consumer confidence and price increases taken ahead of competition. Volume of Birra Moretti remained broadly stable, while slight growth of the Heineken® brand contributed to further share gains in the premium segment.

Volume in **the Netherlands** declined in the low-single digits, in line with the beer market. A VAT increase from October 2012 and declining consumer confidence adversely impacted spending in on-premise channels, with increased demand for lower priced beer brands in the off-premise channel. A reorganisation of the wholesale operations in the fourth quarter of 2012 is expected to lead to improved sales effectiveness and operating efficiencies.



Regional volume performance was resilient, contributing to share gains in the UK, France, Ireland and Belgium and stable market share in the Netherlands.



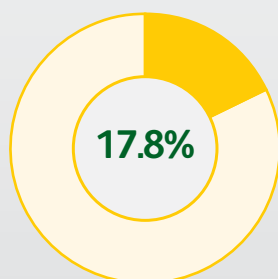
# Central and Eastern Europe

“Strong sales execution has helped drive market share gains across a number of markets and supports our strategy of driving future value growth.”

**Jan Derck van Karnebeek**  
President Central and Eastern Europe

Revenue

**€3,280 million**



EBIT

**€337 million**

Consolidated beer volume

**47.3 million hectolitres**

EBIT (beia)

**€349 million**

Heineken volume in premium segment

**2.3 million hectolitres**

Consolidated beer volume as % of Group

**27.5 per cent**

**G**roup beer volume grew 3.8 per cent organically, led by solid gains across most markets in the region, partly offset by lower volume in Greece and at the BHI joint venture operation in Germany.

Organic revenue increased 3.9 per cent, reflecting higher volume and a slight improvement in revenue per hectolitre. The depreciation of local currencies (i.e. Russian rouble, Belarusian rouble and the Romanian lei) versus the euro reporting currency limited reported revenue growth to 1.6 per cent. On an organic basis, EBIT (beia) increased by 0.9 per cent, as higher revenue was partly offset by substantially higher input costs and increased fixed costs. Profit was higher in Russia, Austria and Romania and lower in Poland and Greece.

Despite an accelerated shift toward the off-trade channel, the implementation of selected price increases across the region resulted in improved revenue per hectolitre and a marked recovery in profitability in the second half of the year. HEINEKEN remains committed to driving continued value growth in the region, particularly in markets with strong positions.

This will be achieved through a renewed strategic focus on pricing, brand equity building and leveraging regional scale across innovation and commercial capabilities.

Key brands



Volume in **Russia**, grew in the low-double digits, resulting in a volume market share gain of 170 basis points to 13.4 per cent at the end of 2012 (based on Russian beer production data). Volume growth was led by the Heineken®, Amstel Premium Pilsener, Okskoye and Three Bears brands. The new 'Radler' flavour brand extensions for Zlaty Bazant and Doctor Diesel also contributed to the strong volume performance in Russia.

Volume in **Poland** increased in the low-single digits, resulting in stable market share. This growth was led by the higher margin Desperados and Paulaner brands, as well as Tatra and Warka, whilst volume of Żywiec was stable. Consumer confidence remains low, contributing to a continued consumer shift from traditional trade towards the discounter channel. Innovations such as Warka Radler and Desperados Red were a success in 2012.

In **Greece**, the effect of a weak economic backdrop was compounded by the implementation of new austerity measures and rising unemployment. This impacted consumer purchasing power and resulted in a low-double digit volume decline in 2012. The economy segment continued to grow, contributing to strong growth of the Alfa brand, whilst volumes of the Heineken® and Amstel brands were lower.

Volume in **Austria** increased in the low-single digits in a broadly flat market, underpinned by solid gains in the off-premise channel. Gösser and Zipfer grew volume and share, owing to the successful launch of 'Radler' brand extensions. Additionally, Heineken® and Desperados enjoyed solid growth, improving overall sales mix.

Volume in **Romania** grew by high-single digits, confirming market leadership in both volume and value terms. The key strategic national brands of Bucegi and Ciuc, as well as the global brands Heineken® and Amstel all grew volume and value in the double digits.

In December 2012, HEINEKEN and Efes Breweries International (EBI) agreed to unwind their partnerships in Kazakhstan and Serbia,

resulting in a net consideration for HEINEKEN of USD161 million and full ownership of the Serbian operations. Under the agreement, HEINEKEN agreed to sell its 28 per cent stake in Efes Kazakhstan to EBI and acquire EBI's 28 per cent stake in Central Europe Beverages, the holding company for the Serbian operations, thereby obtaining full ownership. The transaction related to the Serbian operations closed on 27 December 2012, while the Kazakhstan disposal was completed on 8 January 2013.

In December 2012, Brau Union Austria, signed an agreement with Eckes Granini to divest the soft drink operations of Pago International. The transaction is expected to complete in the first quarter of 2013.



HEINEKEN remains committed to driving continued value growth in the region, particularly in markets with strong positions.

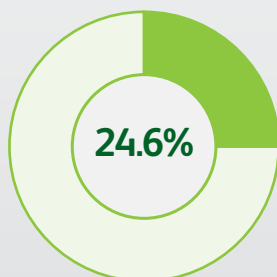
# Americas

“The strong performances of our businesses in both the US and Mexico are the direct result of our sound strategy, continued investment in our brands and excellent execution.”

**John Nicolson**  
President Americas

Revenue

**€4,523 million**



EBIT

**€662 million**

Consolidated beer volume

**53.1 million hectolitres**

EBIT (beia)

**€748 million**

Heineken volume in premium segment

**8.8 million hectolitres**

Consolidated beer volume as % of Group

**30.9 per cent**

Group beer volume grew organically by 3.5 per cent, reflecting higher volume in the US, Mexico, Brazil, the Caribbean, and a stable performance at CCU, the joint venture business in Chile and Argentina. Adjusting for the higher rate of shipments growth (versus depletions) in the US, group beer volume grew organically by 3.1 per cent.

Revenue grew 12 per cent, including a positive contribution from the first-time consolidation of Brasserie Nationale d’Haiti (‘BraNa’) and a favourable net currency impact following the appreciation of the Mexican peso and US dollar, slightly offset by depreciation of the Brazilian real. On an organic basis, revenue grew 8.2 per cent led by higher volume, strong price and sales mix in Mexico and Brazil and improved pricing in the US EBIT (beia) includes a positive contribution from the first-time consolidation of BraNa with favourable currency movements. On an organic basis, EBIT (beia) grew 7.9 per cent, as higher revenue was partly offset by increased input costs. Profit grew substantially in Mexico and was also higher in Brazil and the Caribbean and Canada. Profit remained broadly stable in the U.S market.

Key brands





In **Mexico**, successful execution of the Company's value growth strategy and a supportive economic environment contributed to strong profit growth. Investment in new marketing campaigns, the renewal of packaging for the Sol and Indio brands and strong performances of the Tecate and Dos Equis brands contributed to mid-single digit volume growth. Increased outlet distribution and strong activation supported solid growth of the Heineken® brand.

In **Brazil**, group beer volume grew in the low-single digits, outperforming beer market growth. Volume of the Kaiser and Bavaria brands was in line with the prior year, while the Heineken® brand grew by over 40 per cent, gaining further market share in the international premium segment.

In the **US**, depletions (sales to retailers) increased by 2.2 per cent in a broadly stable beer market, resulting in market share gains. This volume performance reflects an improved trend for the Heineken® brand, accelerated growth of the Mexican brand portfolio and successful innovation. The success of the global 'Open Your World' campaign, underpinned by strong activation of the James Bond 'Skyfall' sponsorship drove higher Heineken® brand equity. Dos Equis Lager, one of the fastest growing import beers in the US, grew 25 per cent, with Tecate Light also growing strongly.

On an organic basis, revenue grew 8.2 per cent led by higher volume, strong price and sales mix in Mexico and Brazil and improved pricing in the US.



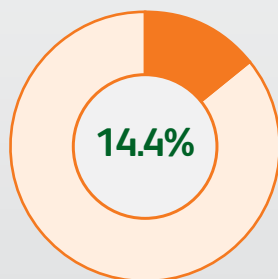
# Africa and the Middle East

“Africa offers huge potential. Our portfolio of leading international and domestic brands, investment in production capacity and leading commercial capabilities are our drivers of growth today and in the future.”

**Siep Hiemstra**  
President Africa and the Middle East

Revenue

**€2,639 million**



EBIT

**€614 million**

Consolidated beer volume

**23.3 million hectolitres**

EBIT (beia)

**€652 million**

Heineken volume in premium segment

**3.5 million hectolitres**

Consolidated beer volume as % of Group

**13.6 per cent**

Group beer volume increased 5.6 per cent, including a 1.6 per cent positive consolidation impact related to the acquired Ethiopian breweries. Organic volume grew 4 per cent with growth in all key markets with the exception of the Democratic Republic of Congo where volumes were adversely impacted by volatility in parts of the country. The Heineken® brand achieved strong growth of 16 per cent, reaching 3.5 million hectolitres, primarily driven by growth in Nigeria, Algeria, Tunisia and South Africa.

Organic revenue grew by 12 per cent, reflecting both the solid volume performance as well as the benefit of strong pricing and favourable sales mix from premium brand growth and innovation. On a reported basis, revenue grew 19 per cent, including a positive consolidation impact of 1.2 per cent related to the acquisition in Ethiopia and favourable foreign exchange impact of 5.2 per cent, primarily reflecting appreciation of the Nigerian naira and the Congolese franc.

Key brands





EBIT (beia) grew 9.8 per cent organically as higher revenue was partially offset by increased input costs and higher depreciation charges following investment in new brewing capacity in several markets. Profit grew strongly in Nigeria, Egypt, Burundi, Rwanda, whilst profit was lower in the Democratic Republic of Congo and South Africa.

In **Nigeria**, volume grew in the low-single digits led by growth of the Heineken®, Malta, 33 Export and Star brands. An increase in consumer price inflation reduced purchasing power and contributed to slower beer market growth in 2012. However, increased product availability, investment in new capacity and strong marketing and sales execution contributed to higher market share.

Whilst some social unrest in **Egypt** remains, volume rebounded strongly in 2012, reflecting a partial recovery in tourism and an improved performance of non-alcoholic beverages.

The Brandhouse joint venture operation in **South Africa** continued to outperform the market, with an improved volume performance

in the second half of the year driving a mid-single digit growth versus the prior year. This performance was led by the Windhoek, Heineken® and Strongbow brands. Upgraded packaging and the introduction of a new marketing campaign in the fourth quarter of 2012 resulted in a trend improvement for the Amstel brand and improved brand equity.



Organic revenue grew by 12 per cent, reflecting both the solid volume performance as well as the benefit of strong pricing and favourable sales mix from premium brand growth and innovation.



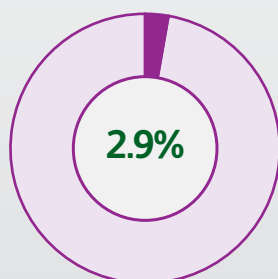
# Asia Pacific

“Asia Pacific offers one of the world’s most exciting growth opportunities for beer, supported by favourable demographics and economic growth. The acquisition of APB has given us direct access to a number of high growth markets and strengthened HEINEKEN’s brand portfolio.”

Theo de Rond  
President Asia Pacific

Revenue

€527 million



EBIT

€1,655 million

Consolidated beer volume

3.7 million hectolitres

EBIT (beia)

€267 million

Heineken volume in premium segment

6.5 million hectolitres

Consolidated beer volume as % of Group

2.2 per cent

Group beer volume grew organically by 6.2 per cent, reflecting solid volume growth in Vietnam, Indonesia, South Korea and our UBL joint venture operation in India.

Strong reported revenue growth primarily reflects a first time consolidation impact related to the acquired operations of APB and APIPL (+EUR287 million) and a small positive currency benefit (+EUR17 million). Higher consolidated volume and solid pricing in Taiwan, Hong Kong and Australia drove solid organic revenue growth.

EBIT (beia), on a reported basis, grew by 52 per cent, reflecting a positive first time net consolidation impact of EUR83 million for APB and APIPL and a favourable currency impact. EBIT (beia) declined organically by 0.9 per cent, reflecting a net impairment of EUR11 million in 2012 related to HEINEKEN’s share of an investment in Jiangsu Dafuhao Breweries in China and a EUR19 million gain on the disposal of HEINEKEN’s share in Kingway Brewery Holdings Limited in China in 2011.

Key brands



Volume of **APB** and **APIPL** increased 6.7 per cent, driven by strong growth in Vietnam, Indonesia and the export business. Tiger® brand volume increased 32 per cent driven by solid growth in Vietnam, China and export markets. In China, volume grew 27 per cent, led by growth of the Tiger® and Heineken® brands in the international premium segment.

Volume in UBL, the Company's joint venture in **India**, increased 6 per cent, driven by the continued success of the Kingfisher brand family. HEINEKEN's share of net profit of UBL increased by 20 per cent largely due to strong pricing, lower bottle costs and reduced interest costs.

Reported financials reflect the first time consolidation of APB and APIPL from 15 November 2012. Prior to consolidation, APB and APIPL financials were reflected in HEINEKEN's EBIT (beia) as share of profit from associates and joint ventures, with a 3-month delay.

Since 15 November 2012, HEINEKEN no longer reports the results of APB and APIPL with a delay. HEINEKEN's share of net profit of APB and APIPL from 15 August to 14 November 2012 ('3-month

catch up period') is reported as a pre-tax exceptional item in the 'Other Income' line. For comparison purposes, the EBIT (beia) organic growth calculation is based on 12 months of APB and APIPL share of net profit, assuming HEINEKEN's joint venture share of 41.9 per cent of APB and APIPL from the beginning of the year is maintained. This includes corrections for accounting changes and fair value adjustments. The 3-month catch up period is excluded from the calculation of organic volume and EBIT (beia) growth.



Group beer volume grew organically by 6.2 per cent, reflecting solid volume growth in Vietnam, Indonesia, South Korea and our UBL joint venture operation in India.



# Risk Management

**This section presents an overview of HEINEKEN's risk management and control systems including a description of the most important risks, HEINEKEN's exposure and its main risk mitigation efforts. Managing risks is explicitly on the management's agenda and embedded in the HEINEKEN Company Rules. Our aim with the Risk Management and Control Systems is to meet our strategic objectives as well as effectively protecting the Company and its brands against reputational and financial damage. Continuity and sustainability of the business are as important to the Company as growing and operating the business. As a business, we balance our financial sustainability with playing a role in society. Social responsibility and sustainability underpin everything we do.**

## Risk Management and Control System

The HEINEKEN Risk Management and Control System aims to ensure that the risks of the Company are identified and managed effectively, and that the operational and financial objectives are met in compliance with applicable laws and regulations at a reasonable level of assurance. The systems also protect the safety and health of our employees, customers and consumers. A system of controls that ensures adequate financial reporting is in place. HEINEKEN's internal control system is based on the COSO Internal Control Framework.

## Risk appetite

The Company is recognised for its drive for quality, consistency and financial discipline. Entrepreneurial spirit is encouraged across the Group in order to seek opportunities that support continuous growth, such as business development and brand building, while taking controlled risks. The international spread of the country portfolio geographically and between mature and emerging markets, the robust balance sheet and strong cash flow form the context of the risk appetite of the Company.

## Risk profile

HEINEKEN is a predominantly single-product company operating in the alcohol business with a high level of commonality in its worldwide business operations. The worldwide activities are exposed to varying degrees of risk and uncertainty. Some of these risks may result in a material impact on the level of a particular operating company if not identified or effectively managed, but may not have material impact at Group level.

As both the Company and its most valuable brand carry the same name, reputation management is of utmost importance.

The image of our sector and products is of key importance to maintain our licence to operate and to grow the beer category in a responsible manner. This is especially relevant in markets where beer has a less favourable image.

Compared to other leading beer companies, HEINEKEN has a significantly wider spread of its businesses across the globe, and does not depend on a limited number of markets. Latin America, Africa and Asia Pacific are important developing regions for HEINEKEN as its global organic volume

growth is largely driven by growth in these regions. The risk of political instability in part of these regions could adversely affect earnings and cash flow.

Part of the Company's results are realised by joint ventures and via license agreements. HEINEKEN may face the risk that joint ventures do not always act in the best interests of the Company.

The acquisition of Asia Pacific Breweries, previously a joint venture, did not lead to a change in the risk profile of HEINEKEN. After reviewing the risk related to Asia Pacific Breweries, it was concluded that there was no need to add new risks to the list of main risks for the Company.

## Risk management

HEINEKEN strives to be a sustainable and performance-driven company. This is achieved by doing business, which by nature involves taking risks and managing those risks. Structured risk assessments are integrated in change projects, business planning, performance monitoring processes, common processes and system implementations, and acquisitions and business integration activities. The Risk Management and Control Systems are considered to be in balance with HEINEKEN's risk profile and appetite, although such systems can never provide absolute assurance. HEINEKEN's Risk Management and Control Systems are subject to continuous review and adaptations in order to remain in balance with its growing business size and the changes in its risk profile.

## Responsibilities

The Executive Board has overall responsibility for HEINEKEN's Risk Management and Control Systems. It is responsible for resource allocation and risk management policy setting. Its overall effectiveness is subject to review by the Audit Committee. Regional, operating company and global functional management are responsible for managing performance, identifying and managing related risks and the effectiveness of operations within the rules set by the Executive Board.

A Risk Committee, chaired by HEINEKEN's CFO, supports the Executive Board with their responsibility for risk management. The Risk Committee met three times in 2012 to discuss the results of the risk assessment and management process, the developments of existing risks, the identification of emerging new risks and the progress of risk mitigating actions. Prioritisation of HEINEKEN's main risks is based on the potential level of financial impact on the Company, on its reputation and that of its brands, on the achievement of the Company's strategic objectives, on the safety and health of its people, and on the safeguarding of its assets.

## HEINEKEN Company Rules

The HEINEKEN Company Rules are a key element of risk management and are in place to set the boundaries within which operating companies should conduct their business. A governance procedure and activities to ensure continuous awareness, compliance and follow-up are in place. In 2012, the HEINEKEN Company Rules were thoroughly reviewed and



updated to ensure that our way of working meets our high standards and is consistent across our key governance areas. The annual internal Letter of Representation process provides additional comfort on financial reporting and compliance with the HEINEKEN Company Rules. After completion of a risk control self-assessment process, regional presidents, heads of global functional departments and general and finance managers of the operating companies sign for compliance on behalf of their management teams on an annual basis.

### Governance

HEINEKEN's governance cycle consists of strategic planning, annual business planning and operational planning and performance monitoring. Strategies, business plans, key risks and quarterly performance of our operating companies are discussed between regional management and the Executive Board. The approved three-year business plans from regions and global functions include clear objectives, target setting and performance indicators that provide the basis for monitoring performance compared to the business plan. These plans also contain an annual assessment of the main risks, mitigation plans and financial sensitivity analysis.

### Internal control in operating companies

Best-practice processes are continuously developed and implemented on a Group-wide basis, supported by common IT systems with embedded key control frameworks. This ensures the integrity of information processing in supporting the day-to-day transactions and financial and management reporting. The HEINEKEN Common Systems are continuously rolled out to more operating companies and are already being implemented within our most recent acquisitions. Internal Audit is strongly involved in monitoring key controls embedded in main business processes and assessing their effectiveness based on a common audit approach.

### Code of Business Conduct

The Code of Business Conduct procedure is applicable to all majority-owned subsidiaries, regional offices and head office and is in the process of being introduced within our recent acquisitions. Compliance is supported through continuous monitoring of effectiveness and compliance reviews. Employees may report suspected cases of serious misconduct to their direct superior, the local Trusted Representative or anonymously to an independently run confidential hotline. The Integrity Committee oversees the functioning of the Whistleblowing procedure and reports quarterly to the Executive Board and Audit Committee on reported cases and effectiveness of the procedure. Ongoing training is being performed at operating company level to further increase awareness and understanding.

During 2012, a new Code of Business Conduct was developed covering personal, commercial and company integrity. The Code is supported by a number of policies that deal with expected behaviour in a large number of fields. The new Code became effective on 1 January 2013.

### Supervision

The Executive Board oversees the adequacy and functioning of the entire system of risk management and internal control, assisted by the global functions. Internal Audit provides independent assurance and advice on the risk management and internal control systems. Assurance meetings on both local and regional level oversee the adequacy and operating effectiveness of the risk management and internal control systems in their respective environments. Regional management and Internal Audit participate in the local meetings in order to ensure effective dialogue and transparency. The outcome and effectiveness of the risk management and internal control systems are evaluated by the Executive Board and the Audit Committee.

### Financial reporting

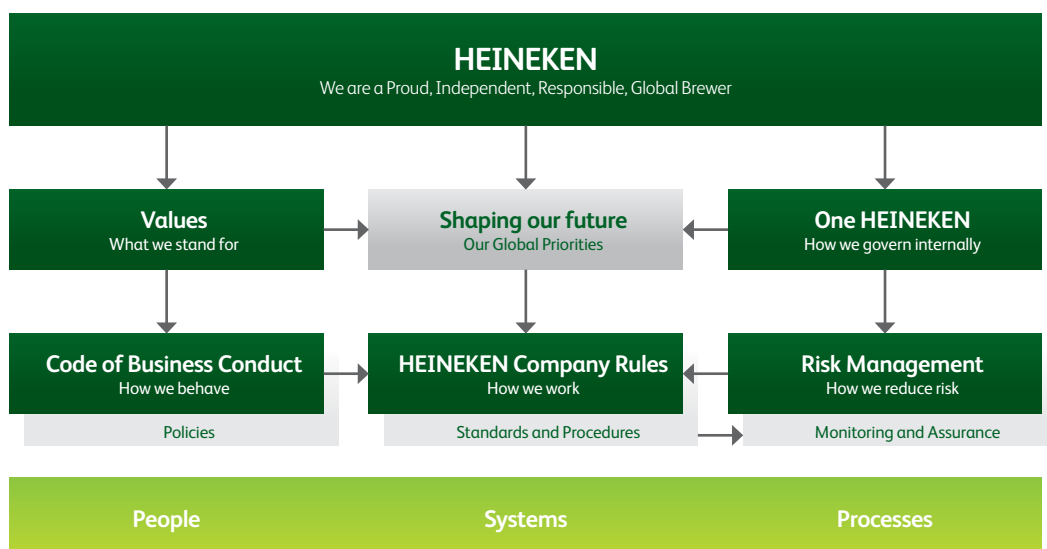
The risk management and control systems for financial reporting include clear accounting policies, a standard chart of accounts and Letters of Representation signed by regional, functional and local management. The HEINEKEN common systems and embedded control frameworks are implemented in a large number of the operating companies and support common accounting and regular financial reporting in standard forms. Testing of key controls relevant for financial reporting is part of the Common Internal Audit Approach in operating companies on common systems. The external audit activities provide additional assurance on the financial reporting. Within the scope of the external auditors' financial audit assignment, they also report on internal control issues through their management letters, and they attend the regional and certain local assurance meetings.

The internal risk management and control systems, as described in this section, provide a reasonable assurance that the financial reporting does not contain any errors of material importance. The risk management and control systems worked properly in the year under review.

This statement cannot be construed as a statement in accordance with the requirements of Section 404 of the US Sarbanes-Oxley Act, which is not applicable to Heineken N.V.

## Risk Management continued

### HEINEKEN Business Framework



### Main risks

Under the explicit understanding that this is not an exhaustive list, HEINEKEN's main risks and related mitigation measures are described below. The main Company risks have been discussed with the Supervisory Board and are annually reviewed. The finance risks are separately enclosed as note 32 to the financial statement.

Risk category	Risk description	Mitigation
Non-Compliance	<p>Increasing risk of non-compliance to laws and regulations due to strong growth in many new (emerging) markets leading to fines, claims, reputational and brand damage.</p> <p>Specific risks are:</p> <ul style="list-style-type: none"> <li>Non-compliance with competition law</li> <li>Non-compliance to local tax regulations</li> <li>Targeting under legal drinking age consumers.</li> </ul>	<ul style="list-style-type: none"> <li>Implementation and assessment of compliance with HEINEKEN Company Rules and HEINEKEN Code of Business Conduct</li> <li>Standards &amp; procedures and training</li> <li>Legal control framework</li> <li>Tax control framework.</li> </ul>
Alcohol	<p>Alcohol abuse remains a serious concern in many markets and prompts legislators to take further restrictive measures including restrictions and/or bans on advertising, sponsorship, point-of-sale, and increased taxes leading to lower revenues and profit.</p> <p>Specific risks are:</p> <ul style="list-style-type: none"> <li>Increased restrictions on commercial freedoms</li> <li>Increased taxes and duties</li> <li>Increased restrictions in availability.</li> </ul>	<ul style="list-style-type: none"> <li>Support to WHO on responsible consumption</li> <li>Work through EU Alcohol &amp; Health Forum to reduce alcohol-related harm</li> <li>HEINEKEN Company Rule regarding responsible commercial communication</li> <li>Improving relations and co-operation with governments and NGOs.</li> </ul>

Risk category	Risk description	Mitigation
Quality and integrity of our products	Poor quality products or integrity of our products may result in reputational and brand damage, resulting in lower volumes and financial claims. Specific risks are: <ul style="list-style-type: none"> <li>▪ Insufficient quality of products</li> <li>▪ Recalls.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Production controls</li> <li>▪ Business continuity plans</li> <li>▪ Recall procedures.</li> </ul>
Safety, Health and Environment (SHE)	Incidents and accidents in the supply chain and in our route-to-market. Specific risks are: <ul style="list-style-type: none"> <li>▪ Physical injuries</li> <li>▪ Incidents and accidents</li> <li>▪ Fatalities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strengthen global SHE organisation, processes and procedures</li> <li>▪ Tracking, monitoring and evaluation of accidents and fatalities.</li> </ul>
Management Capabilities	We may not be successful in attracting, developing and retaining talented staff with the required capabilities. Specific risks are: <ul style="list-style-type: none"> <li>▪ Less than required number of talented staff employed to fill current and future positions</li> <li>▪ Lower than required quality of staff in key positions.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Develop and increase our management talent pipeline</li> <li>▪ Implementation of appraisal and evaluation processes</li> <li>▪ Strengthening management development programmes</li> <li>▪ Functional Succession Committees.</li> </ul>
Availability and volatility in prices of raw materials, commodities, energy and water	Risk of limited availability of raw materials, commodities, energy and water. Volatility in prices of raw materials and commodities may impact our profit. Specific risks are: <ul style="list-style-type: none"> <li>▪ Limited availability</li> <li>▪ Failure to pass on price increases</li> <li>▪ Business disruption.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Leveraging scale by making use of flexibility in contracts</li> <li>▪ Active hedging policy</li> <li>▪ Implementation of a Global Purchasing organisation</li> <li>▪ Improvement of our knowledge of the market and our suppliers</li> <li>▪ Water sustainability strategy and plan.</li> </ul>
Industry consolidation	We might fail to successfully participate in industry consolidation and miss opportunities to acquire target companies. Specific risks are: <ul style="list-style-type: none"> <li>▪ Missed opportunities</li> <li>▪ Overpaying</li> <li>▪ Unsuccessful business integration.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strengthen the M&amp;A activities and organisation</li> <li>▪ Strong due diligence processes</li> <li>▪ Implementation of a common business integration process.</li> </ul>
Marketing and Brand Management	Inability to further build our brands due to lack of consumer insight, unsuccessful innovations and ineffective use of social media. The Company may not be able to defend its intellectual property rights. Specific risks are: <ul style="list-style-type: none"> <li>▪ Limited or unsuccessful innovations</li> <li>▪ Failure to use opportunities of social media.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strengthened Commercial Organisation</li> <li>▪ Central marketing academy</li> <li>▪ Investments in consumer and market intelligence</li> <li>▪ Strengthened innovation organisation</li> <li>▪ Increased use of social media.</li> </ul>
Disruptions in the supply chain	Disruptions in the supply chain may lead to inability to deliver key products to key customers, leading to lower volumes. Specific risks are: <ul style="list-style-type: none"> <li>▪ Failure of IT systems.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Business continuity plans</li> <li>▪ Implementation of back-up scenarios.</li> </ul>



## Risk Management continued

Risk category	Risk description	Mitigation
Economic environment	<p>The current economic and financial uncertainties, including those around the Eurozone, could impact our business and those of our customers, especially in on-trade business. This may lead to lower volumes, pressure on selling prices and increased credit risk. Weak economies may impact the solvency of our suppliers.</p> <p>Specific risks are:</p> <ul style="list-style-type: none"> <li>▪ Declining on-trade market</li> <li>▪ Downtrading</li> <li>▪ Increasing credit risk</li> <li>▪ Increasing taxes</li> <li>▪ Discontinuity of our supply due to solvency problems of our critical suppliers</li> <li>▪ Impairment of goodwill related to acquisitions</li> <li>▪ Pension plan shortfalls due to the development of the financial markets.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Additional monitoring and mitigating actions related to customers' solvency</li> <li>▪ Implementation of a Global Credit Policy</li> <li>▪ Supplier selection process</li> <li>▪ Evaluation of the financial position of critical suppliers.</li> </ul>
Information security	<p>Loss of confidential information and disruption of processes due to unavailability of IT systems may cause financial damage.</p> <p>Specific risks are:</p> <ul style="list-style-type: none"> <li>▪ Failure of IT systems</li> <li>▪ Disruption of processes outsourced to shared service centres</li> <li>▪ Cyber crime.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strengthen the Company's information security policy</li> <li>▪ Implementation and testing of continuity measures with our outsourcing partners</li> <li>▪ Implementation of measures to secure confidentiality and integrity of data.</li> </ul>
Business improvement and transformation	<p>Risk that benefits of strategic transformation programmes will not be realised, of significant cost overruns and of lower than required quality of the deliverables.</p> <p>Specific risks are:</p> <ul style="list-style-type: none"> <li>▪ Estimated benefits too ambitious</li> <li>▪ Ineffective or inefficient programme execution.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Selection and prioritisation of business improvement projects</li> <li>▪ Involvement of top management in all major projects</li> <li>▪ Planning of projects and monitoring of project costs and benefits</li> <li>▪ Improved project governance organisation including project management and progress reporting.</li> </ul>

There may be current risks that do not have a significant impact on the business but which could – at a later stage – develop into a risk that may have a material impact on the Company's business. The Company's risk management systems are also focused on timely discovery of such risks.

# Financial Review

## Results from operating activities

In millions of EUR	2012	2011
Revenue	18,383	17,123
Other income	1,510	64
Raw materials, consumables and services	(11,849)	(10,966)
Personnel expenses	(3,037)	(2,838)
Amortisation, depreciation and impairments	(1,316)	(1,168)
Total expenses	(16,202)	(14,972)
Results from operating activities	3,691	2,215
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	213	240
EBIT	3,904	2,455

## Consolidation impact

The main consolidation scope changes having an impact on financial results in 2012 include:

- the acquisition of the Harar and Bedele breweries in Ethiopia, consolidated from 4 August 2011;
- the acquisition of the Galaxy Pub Estate in the UK, consolidated from 2 December 2011;
- the acquisition of a controlling stake (from 22.5 per cent to 95 per cent) in Brasserie Nationale d'Haiti S.A in Haiti, consolidated from 17 January 2012; and
- the acquisition of a direct and indirect stake of 39.7 per cent in APB (to raise our total stake to 95.3 per cent), and the acquisition of APIPL (from 50 per cent to 100 per cent) ('the Acquired Businesses'), both consolidated from 15 November 2012.

HEINEKEN has consolidated the acquired APB and APIPL businesses under its Asia Pacific reporting region from 15 November 2012. The Acquired Businesses contributed EUR287 million of revenue and EUR93 million of EBIT (beia) during the period 15 November 2012 to 31 December 2012.

Assuming the first-time consolidation of APB and APIPL from 1 January 2012, pro forma 2012 revenue and EBIT (beia) of the Acquired Businesses would have amounted to EUR1,698 million and EUR425 million respectively. HEINEKEN's 2012 EBIT (beia) already includes EUR93 million related to its share of net profit of the Acquired Businesses before consolidation. HEINEKEN's 2012 revenue includes EUR29 million related to intercompany transactions before consolidation.

## Revenue

Revenue increased 7.4 per cent to EUR18,383 million, reflecting revenue growth of 3.9 per cent on an organic basis, a positive net consolidation effect of 2 per cent (+EUR336 million) and a favourable foreign currency effect of 1.5 per cent (+EUR254 million), largely driven by the Nigerian naira, the Mexican peso and the British pound. Organic revenue growth of 3.9 per cent is made up of total consolidation volume growth of 1.5 per cent and a 2.4 per cent increase in revenue per hectolitre. The 2.4 per cent is net of a negative country mix effect of 0.6 per cent.

Total consolidated volume increased 3.9 per cent to 202 million hectolitre. The organic increase amounted to 1.5 per cent led by consolidated beer volume growth of 2.4 per cent and higher soft drinks volume. This was only partly offset by lower volume of cider and third-party products.

## Other income

Prior to the acquisition of APB and APIPL, HEINEKEN owned a 50 per cent stake in APIPL, a combined direct and indirect stake in APB of (55.6) per cent as well as a direct stake in PT Multi Bintang of 6.78 per cent. Together these stakes are referred to as the Previously Held Equity Interest ('PHEI'). Prior to the acquisition HEINEKEN did not have control over APB as 64.8 per cent of the shares were held by APIPL, the joint venture between Fraser & Neave, Limited ('F&N') and HEINEKEN. In accordance with IFRS, the PHEI in the Acquired Businesses is accounted for at fair value at the date of acquisition and amounts to EUR2,975 million. HEINEKEN's carrying amount consists of the book value of the original investment as well as the price paid for shares bought up to 15 November 2012. The fair value compared to HEINEKEN's carrying amount results in a non-cash exceptional gain of EUR1,486 million, recognised in Other Income.

## Expenses

Total expenses (beia) increased 4.7 per cent on an organic basis. Input costs increased organically by 11 per cent and by 8.3 per cent on a per hectolitre basis, primarily reflecting higher malted barley prices.

## Financial Review continued

Our Total Cost Management 2 (TCM2) programme realised EUR196 million of pre-tax cost savings in its first year. Supply Chain and Global Support functions have contributed 60 per cent and 21 per cent, respectively, of realised global cost savings, which were largely generated in Europe (62 per cent). Pre-tax exceptional costs related to TCM2 in the period were EUR97 million.

In 2012, upfront costs related to the set-up of the Global Business Services ('GBS') organisation were EUR70 million (including capitalised IT infrastructure costs of EUR17 million). This brings the cumulative amount of upfront GBS costs to EUR102 million as at the end of 2012, of which EUR82 million has been expensed (primarily under Head Office and Eliminations) and EUR20 million capitalised.

Energy and water costs were EUR562 million, up 4.9 per cent organically. Personnel costs increased 4.9 per cent organically, reflecting an increase in employee numbers in higher growth markets. The reported increase in personnel costs of 7.0 per cent is mainly driven by the consolidation of APB and APIPL and Brasserie Nationale d'Haiti S.A in Haiti as well as unfavourable foreign currency movements.

Marketing and selling (beia) expenses increased organically by 0.3 per cent to EUR2,250 million, representing 12.2 per cent of revenues (2011: 12.8 per cent). Improved effectiveness of marketing spend, combined with brand equity building activities and innovation, contributed to global volume market share gains in 2012.

The 2012 exceptional items included in EBIT contain the amortisation of acquisition-related intangibles for EUR198 million (2011: EUR170 million). Additional exceptional items included in EBIT relating to the APB and APIPL acquisition are the gain on PHEI for EUR1,486 million, the reversal of the inventory fair value adjustment in cost of goods sold for EUR76 million and acquisition-related costs of EUR28 million. Other exceptional items include restructuring activities in wholesale for EUR97 million, impairment of assets for EUR37 million and adjustments to an acquisition of EUR20 million outside the provisional period.

### Share of profits of associates and joint ventures

Share of profits of our associates and joint ventures contains HEINEKEN's share of a one-off expense item of EUR36 million following a write-off of deferred tax assets in an associate. Furthermore it includes HEINEKEN's share of a net impairment in Jiangsu Dafuhao Breweries Co. Ltd in China for EUR11 million.

### Results (beia)

In millions of EUR	2012	2011
Result from operating activities	<b>3,691</b>	2,215
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	213	240
EBIT	<b>3,904</b>	2,455
Amortisation acquisition-related intangibles	198	170
Exceptional items	(1,190)	72
EBIT (beia)	<b>2,912</b>	2,697

In millions of EUR	2012	2011
Net profit	<b>2,949</b>	1,430
Amortisation acquisition related intangibles	145	123
Exceptional items	(1,398)	31
Net profit (beia)	<b>1,696</b>	1,584

### EBIT (beia) and Net profit (beia)

In millions of EUR	EBIT beia	Net profit beia
2011	2,697	1,584
Organic growth	(12)	26
Changes in consolidation	164	36
Effects of movement in exchange rates	63	50
2012	<b>2,912</b>	<b>1,696</b>



## EBIT to profit

In millions of EUR	2012	2011
EBIT	<b>3,904</b>	2,455
Net interest expenses	(489)	(424)
Other net finance income/(expenses)	219	(6)
Profit before income tax	<b>3,634</b>	2,025
Income tax expenses	(525)	(465)
Profit	<b>3,109</b>	1,560

On reported basis, interest expenses increased by EUR65 million, reflecting higher interest expense related to financing raised for the acquisition of APB and APIPL. On an organic basis, net interest costs declined by EUR23 million. The average interest rate on net interest-bearing debt (including interest rate swaps) in 2012 was 5.4 per cent, compared with 5.2 per cent in 2011, mainly due to Nigeria representing a higher proportion of total group interest expense.

On a reported basis, other net finance income/ (expense) includes a EUR20 million capital gain related to the revaluation of HEINEKEN's existing 22 per cent interest in Brasserie d'Haiti and a EUR175 million gain related to the sale of a 9.3 per cent interest in a brewery in the Dominican Republic.

The effective tax rate (beia) was 26.5 per cent, slightly below the 2011 (beia) tax rate of 26.8 per cent. Similar to 2011, the effective tax rate (beia) in 2012 includes the favourable outcome of discussions with tax authorities in certain markets. The lower reported tax rate in 2012 of 15.3 per cent (2011: 26.1 per cent) can be explained by the tax exempt revaluation of HEINEKEN's PHEI in APB and APIPL, prior to consolidation.

Earnings per share – diluted increased from EUR2.44 to EUR5.12 impacted by exceptional items. Earnings per share – diluted (beia) increased by 8.9 per cent from EUR2.70 to EUR2.94.

## Cash flow

In millions of EUR	2012	2011
Cash flow from operations before changes in working capital and provisions	<b>3,581</b>	3,545
Total change in working capital	101	251
Change in provisions and employee benefits	(164)	(76)
Cash flow from operations	<b>3,518</b>	3,720
Cash flow related to interest, dividend and income tax	(823)	(809)
Cash flow from operating activities	<b>2,695</b>	2,911
Cash flow (used in)/from operational investing activities	(1,210)	(818)
Free operating cash flow	<b>1,485</b>	2,093
Cash flow (used in)/from acquisitions and disposals	(4,415)	(937)
Cash flow (used in)/from financing activities	3,056	(1,034)
Net cash flow	<b>126</b>	122
Cash conversion ratio	<b>80%</b>	122%

## Financial Review continued

### Cash flow and investments

Free operating cash flow declined to EUR1,485 million from EUR2,093 million. A positive cash flow impact from working capital was more than offset by increased by capital expenditure in high growth markets.

Cash flow used for acquisitions and disposals is primarily driven by the acquisition of APB and APIPL. Prior to the acquisition date, HEINEKEN obtained additional APB shares in the market for EUR1,194 million. On 15 November 2012, HEINEKEN paid F&N a cash consideration of EUR3,584 million. The total cash flow used for acquisitions and disposals, net of cash acquired, amounts to EUR4,415 million. In addition, in the cash flow (used in)/from financing activities an amount of EUR252 million is included for the Mandatory General Offer ('MGO') for the purchase of the remaining minority shares in APB.

The decrease of our cash conversion ratio to 80 per cent reflects higher capital investments to drive future growth.

### Financing structure

In millions of EUR	2012	%	2011	%
Total equity	12,762	35	10,092	37
Deferred tax liabilities	1,790	5	894	3
Employee benefits	1,632	5	1,174	3
Provisions	547	1	589	2
Interest bearing loans and borrowings	13,359	37	9,183	34
Other liabilities	5,889	17	5,195	21
Total equity and liabilities	35,979	100	27,127	100

### Total equity

as a percentage of total assets

2008	23.1
2009	28.0
2010	38.3
2011	37.2
2012	35.5

### Net debt/EBITDA (beia) ratio

2008	3.3
2009	2.6
2010	2.3
2011	2.3
2012	3.1

In millions of EUR	2012	2011
EBIT	3,904	2,455
Depreciation and impairments of plant, property & equipment	1,061	936
Amortisation and impairment of intangible assets	254	232
Impairment on available-for-sale assets	1	–
EBITDA	5,220	3,623
Exceptional items	(1,241)	59
EBITDA (beia)	3,979	3,682

### Financing and liquidity

Equity attributable to equity holders of the Company increased by EUR1,917 million to EUR11,691 million, mainly driven by the strong reported net profit performance (including the exceptional gain on the PHEI in APB and APIPL partly offset by dividends paid (EUR494 million) and actuarial losses (EUR439 million).

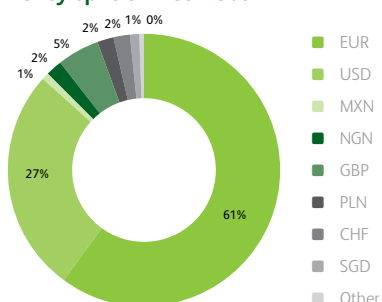
Interest bearing loans and borrowings increased to EUR13,359 million (from EUR9,183 million as at 31 December 2011), due to the acquisition of APB and APIPL.

### Currency split of Net Debt

This currency breakdown includes the effect of derivatives, which are used to hedge intercompany lending denominated in currencies other than euro.

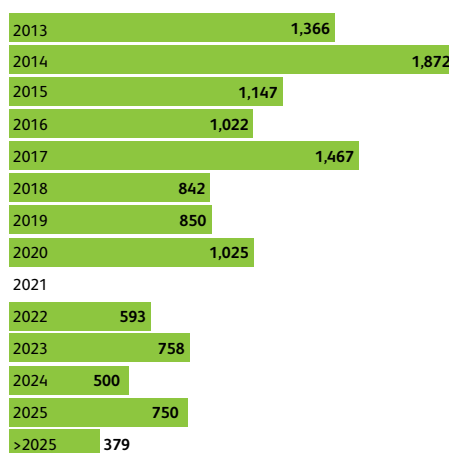
Of total net interest-bearing debt, approximately 61 per cent is denominated in euro and 27 per cent is US dollar denominated. This is including the effect of cross-currency interest rate swaps on non-euro denominated debt such as the GBP bond and the US private placements at both Heineken N.V. and HEINEKEN UK. The fair value of these swaps does not form part of net debt.

### Currency split of Net Debt



### Obligatory debt repayments

in millions of EUR



For the first time in the Company's 148 year history, HEINEKEN was assigned public credit ratings on 7 March 2012. HEINEKEN received solid investment grade credit ratings by Moody's Investor Service (Baa1) and Standard & Poors (BBB+). Both ratings have a stable outlook as per the date of this annual report. The assignment of the credit ratings has allowed the Company to further diversify its funding base.

On 19 March 2012, HEINEKEN issued EUR1.35 billion of Notes under its EMTN Programme comprising EUR850 million of 7-year Notes with a coupon of 2.5 per cent and EUR500 million of 12-year Notes with a coupon of 3.5 per cent. On 3 April 2012, HEINEKEN issued USD750 million of 10-year 144A/RegS US Notes with a coupon of 3.4 per cent. On 2 August 2012, HEINEKEN issued EUR1.75 billion of Notes under its EMTN Programme, consisting of 8-year Notes for a principal amount of EUR1 billion with a coupon of 2.125 per cent and 13-year Notes for a principal amount of EUR750 million with a coupon of 2.875 per cent. On 3 October 2012, HEINEKEN announced that it had successfully priced 144A/RegS US Notes for a principal amount of USD3.25 billion. This comprised USD500 million of 3-year Notes at a coupon of 0.8 per cent, USD1.25 billion of 5-year Notes at a coupon of 1.4 per cent, USD1 billion of 10.5-year Notes at a coupon of 2.75 per cent and USD500 million of 30-year Notes at a coupon of 4.0 per cent.

The proceeds of the Notes have been mainly used for the financing of the acquisition of APB and APIPL and the repayment of debt facilities. The issues have enabled HEINEKEN to further improve the currency and maturity profile of its long-term debt.

### Financing ratios

HEINEKEN has an incurrence covenant in some of its financing facilities. The incurrence covenant is calculated by dividing net debt (calculated in accordance with the consolidation method of the 2007 Annual Accounts) by EBITDA (beia) (also calculated in accordance with the consolidation method of the 2007 Annual Accounts and including the pro-forma full-year EBITDA of any acquisitions made in 2012). As at 31 December 2012 this ratio was 2.8 (2011: 2.1). If the ratio would be beyond a level of 3.5 the incurrence covenant would prevent us from conducting further significant debt-financed acquisitions.

### Profit appropriation

Heineken N.V.'s profit (attributable to shareholders of the Company) in 2012 amounted EUR2,949 million. In accordance with Article 12, paragraph 7, of the Articles of Association, the Annual General Meeting of Shareholders will be invited to appropriate an amount of EUR512 million for distribution as dividend. This proposed appropriation corresponds to a dividend of EUR0.89 per share of EUR1.60 nominal value, on account of which an interim dividend of EUR0.33 was paid on 4 September 2012. The final dividend thus amounts EUR0.56 per share. Netherlands withholding tax will be deducted from the final dividend at 15 per cent.



# Corporate Governance Statement

## Dutch Corporate Governance Code

On 10 December 2008 the current Dutch Corporate Governance Code (the "Code") was introduced. The Code can be downloaded at [www.commissiecorporategovernance.nl](http://www.commissiecorporategovernance.nl).

Heineken N.V. has prepared a Comply or Explain report on the basis of the Code. The Comply or Explain report is available at [www.theHEINEKENcompany.com](http://www.theHEINEKENcompany.com).

As stated in the Code (principle 'Compliance with and enforcement of the Code', paragraph I) there should be a basic recognition that corporate governance must be tailored to the company-specific situation and therefore that non-application of individual provisions by a company may be justified.

HEINEKEN endorses the Code's principles and applies virtually all best practice provisions. However, in particular, the structure of the HEINEKEN Group and specifically the relationship between Heineken Holding N.V. and Heineken N.V., prevents Heineken N.V. from applying a small number of best practice provisions. In particular this pertains to the following best practice provisions which are not (fully) applied or applied with an explanation:

- II.2.8: severance payment Executive Board members;
- III.2.1, III.2.2 a, c and e, III.2.3 and III.5.1: independence of Supervisory Board members;
- III.3.5: appointment period Supervisory Board members;
- III.4.1 (g): contact with Central Works Council;
- III.5.11: chairman Remuneration Committee;
- III.6.6: delegated Supervisory Board member.

Other best practice provisions, which are not applied, relate to the fact that these principles and/or best practice provisions are not applicable to Heineken N.V.:

- II.2.4, II.2.6 and II.2.7: HEINEKEN does not grant options on shares;
- III.8: HEINEKEN does not have a one-tier management structure;
- IV.1.2: HEINEKEN has no financing preference shares;
- IV.2: HEINEKEN has no depositary receipts of shares, nor a trust office;
- IV.3.11: HEINEKEN has no anti-takeover measures;
- IV.4: The principle and best practice provisions relate to shareholders;
- V.3.3: HEINEKEN has an internal audit function.

The General Meeting of Shareholders of 22 April 2010 discussed the way HEINEKEN deals with the Code and that Heineken N.V. does not (fully) apply the above best practice provisions. At the General Meeting of Shareholders of 20 April 2005, the departure from similar best practice provisions of the 2003 corporate governance code was put to the vote and approved.

Contrary to what is stated in the Comply or Explain report, HEINEKEN does not fully apply best practice provision III.5.1, as the regulations of the Audit Committee, the Remuneration Committee and the Selection & Appointment Committee permit that more than one committee member is not independent within the meaning of best practice provision III.2.2.

## Risk Management and Control Systems for financial reporting

The risk management and control systems for financial reporting include clear accounting policies, a standard chart of accounts and Letters of Representation signed by regional, functional and local management. The HEINEKEN common systems and embedded control frameworks are implemented in a large number of the operating companies and support common accounting and regular financial reporting in standard forms. Testing of key controls relevant for financial reporting is part of the Common Internal Audit Approach in operating companies on common systems. The external audit activities provide additional assurance on the financial reporting. Within the scope of the external auditors' financial audit assignment, they also report on internal control issues through their management letters, and they attend the regional and certain local assurance meetings.

The internal risk management and control systems, as described in this section, provide a reasonable assurance that the financial reporting does not contain any errors of material importance. The risk management and control systems worked properly in the year under review.

This statement cannot be construed as a statement in accordance with the requirements of Section 404 of the US Sarbanes-Oxley Act, which is not applicable to Heineken N.V.

## General Meeting of Shareholders

Annually, within six months after the end of the financial year, the Annual General Meeting of Shareholders shall be held, in which, inter alia, the following items shall be brought forward: (i) the discussion of the Annual Report, (ii) the discussion and adoption of the financial statements, (iii) discharge of the members of the Executive Board for their management, (iv) discharge of the members of the Supervisory Board for their supervision on the management and (v) appropriation of profits. General Meetings of Shareholders shall be held in Amsterdam.

## Convocation

Pursuant to the law, the Executive Board or the Supervisory Board shall convene the General Meetings of Shareholders with a convocation period of at least 42 days (excluding the date of the meeting, but including the convocation date).

The Executive Board and the Supervisory Board are obliged to convene a General Meeting of Shareholders upon request of shareholders individually or collectively owning 25 per cent of the shares. Such meeting shall then be held within eight weeks from the request and shall deal with the subjects as stated by those who wish to hold the meeting.

#### Right to include items on the agenda

If the Executive Board has been requested in writing not later than 60 days prior to the date of the General Meeting of Shareholders to address an item by one or more shareholders who solely or jointly (i) represent at least 1 per cent of the issued capital or (ii) at least represent a value of EUR50 million, then the item will be included in the convocation or announced in a similar way. A request of a shareholder for an item to be included on the agenda of the General Meeting of Shareholders needs to be substantiated. The principle of reasonableness and fairness may allow the Executive Board to refuse the request.

The Dutch Corporate Governance Code of 10 December 2008 provides the following in best practice provision IV.4.4: "A shareholder shall exercise the right of putting an item on the agenda only after he consulted the Executive Board about this. If one or more shareholders intend to request that an item be put on the agenda that may result in a change in the company's strategy, for example through the dismissal of one or more Executive or Supervisory Board members, the Executive Board shall be given the opportunity to stipulate a reasonable period in which to respond (the response time). This shall also apply to an intention as referred to above for judicial leave to call a general meeting pursuant to Article 2:110 of the Dutch Civil Code. The shareholder shall respect the response time stipulated by the Executive Board within the meaning of best practice provision II.1.9."

If the Executive Board invokes a response time, such period shall not exceed 180 days from the moment the Executive Board is informed by one or more shareholders of their intention to put an item on the agenda to the day of the general meeting at which the item is to be addressed. The Executive Board shall use the response time for further deliberation and constructive consultation. This shall be monitored by the Supervisory Board. The response time shall be invoked only once for any given general meeting and shall not apply to an item in respect of which the response time has been previously invoked.

Best practice provision IV.4.4 is written for shareholders and they are free to deviate from the recommendation of the best practice provision to respect this response time.

#### Record date

For each General Meeting of Shareholders, the Company shall determine a record date for the exercise of the voting rights and participation in the meeting. The record date shall be the 28th day prior to the date of the meeting. The record date shall be included in the convocation notice, as well as the manner in which those entitled to attend and/or vote in the meeting can be registered and the manner in which they may exercise their rights.

Only persons that are shareholder on the record date may participate and vote in the General Meeting of Shareholders.

#### Participation in person, by proxy or through electronic communication

Each shareholder is entitled, either personally or by proxy authorised in writing, to attend the General Meeting of Shareholders, to address the meeting and to exercise his voting rights.

The Executive Board may determine that the powers set out in the previous sentence may also be exercised by means of electronic communication. The Executive Board may subject the use of electronic communications to conditions which will then be indicated in the convocation notice.

If a shareholder wants to exercise his rights by proxy authorised in writing, the written power of attorney must be received by the Company no later than on the date indicated for that purpose in the convocation notice. Through its website, the Company generally facilitates that shareholders can give electronic voting instructions.

#### Attendance list

Each person entitled to vote or otherwise entitled to attend a meeting or such person's representative shall have to sign the attendance list, stating the number of shares and votes represented by such person.

#### Chairman of the General Meeting

All General Meetings of Shareholders shall be presided by the Chairman or the Vice-Chairman of the Supervisory Board, or in his absence, by one of the Supervisory Board members present at the meeting, to be designated by them in mutual consultation. If no members of the Supervisory Board are present, the meeting shall appoint its own Chairman.

## Voting

All resolutions of the General Meeting of Shareholders shall be adopted by an absolute majority of the votes cast, except for those cases in which the law or the Articles of Association prescribe a larger majority.

Each share confers the right to one vote. Blank votes shall be considered as not having been cast.

The Executive Board may determine in the convocation notice that any vote cast prior to the General Meeting of Shareholders by means of electronic communication shall be deemed to be a vote cast in the General Meeting of Shareholders. Such a vote may not be cast prior to the record date. A shareholder who has cast his vote prior to the General Meeting of Shareholders by means of electronic communication remains entitled, whether or not represented by a holder of a written power of attorney, to participate in the General Meeting of Shareholders.

## Minutes

The proceedings in the General Meeting of Shareholders shall be recorded in minutes taken by a secretary to be designated by the chairman of the meeting, which minutes shall be signed by the chairman of the meeting and the secretary. If, in deviation of the above, a notarial record of the proceedings of the General Meeting of Shareholders is drawn up, the chairman of the meeting shall countersign the notarial record. Upon request the record of the proceedings of the General Meeting of Shareholders shall be submitted to shareholders ultimately within three months after the conclusion of the meeting.

## Resolutions to be adopted by the General Meeting

The General Meeting of Shareholders has authority to adopt resolutions concerning, inter alia, the following matters:

- (i) Issue of shares by the Company or rights on shares (and authorise the Executive Board to resolve that the Company issues shares or rights on shares)
- (ii) Authorise the Executive Board to resolve that the Company acquires its own shares
- (iii) Cancellation of shares and reduction of share capital
- (iv) Appointment of Executive Board members
- (v) The remuneration policy for Executive Board members
- (vi) Suspension and dismissal of Executive Board members
- (vii) Appointment of Supervisory Board members
- (viii) The remuneration of Supervisory Board members
- (ix) Suspension and dismissal of Supervisory Board members
- (x) Appointment of the Delegated Member of the Supervisory Board
- (xi) Adoption of the financial statements
- (xii) Granting discharge to Executive and Supervisory Board members
- (xiii) The profit reservation and distribution policy
- (xiv) Dividend distributions

- (xv) A substantial change in the corporate governance structure
- (xvi) Appointment of the external auditor
- (xvii) Amendment of the Articles of Association and
- (xviii) Liquidation.

Resolutions on a major change in the identity or character of the Company or enterprise shall be subject to the approval of the General Meeting of Shareholders. This would at least include (a) the transfer of the enterprise or the transfer of practically the entire enterprise of the Company to a third party, (b) the entering into or the termination of a lasting co-operation of the Company or a subsidiary with another legal entity or company or as fully liable partner in a limited partnership or general partnership, if such co-operation or termination is of fundamental importance to the Company and (c) acquiring or disposing of a participation in the capital of a company by the Company or a subsidiary amounting to at least one-third of the amount of assets according to the Company's consolidated balance sheet plus explanatory notes as laid down in the last adopted financial statements of the Company.

## Provision of information

The Executive Board and the Supervisory Board shall provide the General Meeting of Shareholders with all requested information, unless this would be contrary to an overriding interest of the Company. If the Executive Board and the Supervisory Board invoke an overriding interest, they shall give reasons.

## Executive Board

### Composition and role of the Executive Board

Executive Board members are appointed by the General Meeting of Shareholders from a non-binding nomination drawn up by the Supervisory Board.

The Executive Board currently consists of two members, Chairman/CEO Jean-François (J.F.M.L.) van Boxmeer and CFO René (D.R.) Hooft Graafland.

Information on these Executive Board members is provided hereunder.

### Jean-François (J.F.M.L.) van Boxmeer (1961)

#### Belgian nationality; male.

Appointed in 2001.

Chairman/CEO (2005).

No supervisory board seats (or non-executive board memberships) in Large Dutch Entities\*\*.

Other positions\*\*\*: Mondelez International, US, The Dutch Opera.



**René (D.R.) Hooft Graafland (1955)****Dutch nationality; male.**

Appointed in 2002; re-appointment in 2011\*  
CFO (2005).

Supervisory board seats (or non-executive board memberships)  
in Large Dutch Entities\*\*: Wolters Kluwer N.V.

Other positions\*\*\*: Royal Theater Carré, Amsterdam (Chairman).

\* For the maximum period of four years.

\*\* Large Dutch Entities are Dutch N.V.s, B.V.s or Foundations (that are required to prepare annual accounts pursuant to Chapter 9 of Book 2 of the Dutch Civil Code or similar legislation) that meet two of the following criteria (on a consolidated basis) on two consecutive balance sheet dates:

- (i) The value of the assets (according to the balance sheet with the explanatory notes and on the basis of acquisition and manufacturing costs) exceeds EUR17.5 million;
- (ii) The net turnover exceeds EUR35 million;
- (iii) The average number of employees is at least 250.

\*\*\* Under 'Other positions' other functions are mentioned that may be relevant to performance of the duties of the Executive Board.

Best practice provision II.1.1 of the Dutch Corporate Governance Code of 10 December 2008 recommends that an Executive Board member is appointed for a maximum period of four years and that a member may be reappointed for a term of not more than four years at a time.

In compliance with this best practice provision, the Supervisory Board has drawn up a rotation schedule in order to avoid, as far as possible, a situation in which Executive Board members retire at the same time.

The Annual General Meeting of Shareholders of 21 April 2011 resolved to re-appoint D.R. Hooft Graafland for a period of four years. A non-binding nomination for the re-appointment of J.F.M.L. van Boxmeer for a period of four years will be submitted to the Annual General Meeting of Shareholders of 25 April 2013.

The Supervisory Board appoints one of the Executive Board members as Chairman/CEO.

The General Meeting of Shareholders can dismiss members of the Executive Board by a majority of the votes cast, if the subject majority at least represents one-third of the issued capital.

The role of the Executive Board is to manage the Company, which means, amongst other things, that it is responsible for setting and achieving the operational and financial objectives of the Company, the design of the strategy to achieve the objectives, the parameters to be applied in relation to the strategy (for example in respect of the financial ratios), the associated risk profile, the development of results and corporate social responsibility issues that are relevant to the enterprise. The Executive Board is accountable for this to the Supervisory Board and to the General Meeting. In discharging its role, the Executive Board shall be guided by the interests of the Company and its affiliated enterprises, taking into consideration the interests of the Company's stakeholders. The Executive Board is responsible

for complying with all primary and secondary legislation, for managing the risks associated with the Company's activities and for financing the Company.

A member of the Executive Board shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a conflict of interest with the Company.

**Supervisory Board****Composition of the Supervisory Board**

The Supervisory Board consists of ten members: Cees van Lede (Chairman), José Antonio Fernández Carbajal (Vice-Chairman), Maarten Das (Delegated Member), Michel de Carvalho, Jan Maarten de Jong, Annemiek Fentener van Vlissingen, Mary Minnick, Christophe Navarre, Javier Astaburuaga Sanjinés and Hans Wijers.

Information on these Supervisory Board members is provided hereunder.

**Cees (C.J.A.) van Lede (1942)****Dutch nationality; male.**

Appointed in 2002; latest reappointment in 2010\*.

Chairman (2004). Will step down as member and Chairman on 25 April 2013.

Profession: Company Director.

Supervisory board seats (or non-executive board memberships) in Large Dutch Entities\*\*: Royal Philips Electronics N.V., D.E. Master Blenders 1753 N.V.

Other positions\*\*\*: Air Liquide S.A., Air France/KLM, Senior Advisor Europe JP Morgan Plc., London.

**José Antonio (J.A.) Fernández Carbajal (1954)****Mexican nationality; male.**

Appointed in 2010\*.

Vice-Chairman (2010).

Profession: Chairman & CEO Fomento Económico Mexicano S.A.B. de C.V. (FEMSA).

Supervisory board seats (or non-executive board memberships) in Large Dutch Entities\*\*: Heineken Holding N.V.

Other positions\*\*\*: Coca-Cola Femsa S.A.B. de C.V. (Chairman), Tecnológico de Monterrey (Chairman), Fundación Femsa (Chairman); participates on Boards of Televisa, Aerolíneas Volaris, Industrias Peñoles, Grupo Financiero BBVA Bancomer.

**Maarten (M.) Das (1948)**

**Dutch nationality; male.**

Appointed in 1994; latest reappointment in 2009\*.

Delegated Member (1995).

Profession: Advocaat (Attorney at law).

Supervisory board seats (or non-executive board memberships)

in Large Dutch Entities\*\*: Heineken Holding N.V. (Chairman)

Other positions\*\*\*: L'Arche Green N.V. (Chairman), Stichting

Administratiekantoor Piores, LAC B.V., Greenfee B.V. (Chairman).

**Michel (M.R.) de Carvalho (1944)**

**British nationality; male.**

Appointed in 1996; latest reappointment in 2011\*.

Profession: Banker, Investment Banking, Citi Inc., UK (Vice-Chairman) and Citi Private Bank Europe, Middle East and Africa (Chairman).

No supervisory board seats (or non-executive board memberships) in Large Dutch Entities\*\*.

Other positions\*\*\*: L'Arche Green N.V.

**Jan Maarten (J.M.) de Jong (1945)**

**Dutch nationality; male.**

Appointed in 2002; latest reappointment in 2010\*.

Profession: Banker.

Supervisory board seats (or non-executive board memberships) in Large Dutch Entities\*\*: Nutreco N.V. (Chairman), AON Groep Nederland B.V. (Chairman), Theodoor Gilissen Bankiers N.V.

Other positions\*\*\*: Onderlinge Levensverz-Mij. " 's-Gravenhage " U.A. (Chairman), CRH plc, Ireland, Kredietbank S.A.

Luxembourgeoise, Luxembourg.

**Annemiek (A.M.) Fentener van Vlissingen (1961)**

**Dutch nationality; female.**

Appointed in 2006; latest reappointment in 2010\*.

Profession: Company Director.

Supervisory board seats (or non-executive board memberships) in Large Dutch Entities\*\*: SHV Holdings N.V. (Chairman), De Nederlandsche Bank N.V., University Medical Center Utrecht (UMC Utrecht).

Other positions\*\*\*: Lhoist, Belgium.

**Mary (M.E.) Minnick (1959)**

**American nationality; female.**

Appointed in 2008; latest reappointment in 2012\*.

Profession: Partner in Lion Capital LLP, UK.

No supervisory board seats (or non-executive board memberships) in Large Dutch Entities\*\*.

**Christophe (V.C.O.B.J.) Navarre (1958)**

**Belgian nationality; male.**

Appointed in 2009\*.

Profession: Chairman & CEO Moët Hennessy, LVMH Wines & Spirits Brands.

No supervisory board seats (or non-executive board memberships) in Large Dutch Entities\*\*.

**Javier (J.G.) Astaburuaga Sanjinés (1959)**

**Mexican nationality; male.**

Appointed in 2010\*.

Profession: CFO Fomento Económico Mexicano S.A.B. de C.V. (FEMSA)

No supervisory board seats (or non-executive board memberships) in Large Dutch Entities\*\*.

Other positions\*\*\*: Coca-Cola Femsa S.A.B. de C.V.

**Hans (G.J.) Wijers (1951)**

**Dutch nationality; male.**

Appointed in 2012. Will be appointed Chairman on 25 April 2013.

Profession: Company Director.

Supervisory board seats (or non-executive board memberships) in Large Dutch Entities\*\*: AFC Ajax N.V. (Chairman)

Other positions\*\*\*: Royal Dutch Shell PLC (Deputy-Chairman), Natuurmonumenten (Chairman), Concertgebouw N.V.

\* For the maximum period of four years.

\*\* Large Dutch Entities are Dutch N.V.s, B.V.s or Foundations (that are required to prepare annual accounts pursuant to Chapter 9 of Book 2 of the Dutch Civil Code or similar legislation) that meet two of the following criteria (on a consolidated basis) on two consecutive balance sheet dates:

- (i) The value of the assets (according to the balance sheet with the explanatory notes and on the basis of acquisition and manufacturing costs) exceeds EUR 17.5 million;
- (ii) The net turnover exceeds EUR 35 million;
- (iii) The average number of employees is at least 250.

\*\*\* Under 'Other positions' other functions are mentioned that may be relevant to performance of the duties of the Supervisory Board.

The Supervisory Board members are appointed by the General Meeting of Shareholders from a non-binding nomination drawn up by the Supervisory Board.

The General Meeting of Shareholders can dismiss members of the Supervisory Board by a majority of the votes cast, if the subject majority at least represents one-third of the issued capital.

The composition of the Supervisory Board is such that the members are able to act critically and independently of one another and of the Executive Board and any particular interests. Five members of the Supervisory Board (Messrs. de Carvalho, de Jong, Das, Fernández Carbajal and Astaburuaga Sanjinés) do not meet the applicable criteria for being 'independent' within the meaning of best practice provision III.2.2 of the Dutch Corporate Governance Code of 10 December 2008.

A person may be appointed to the Supervisory Board for a maximum of three 4-year terms. However, given the structure of the Heineken Group, the maximum appointment period will not be applied to members who are related by blood or marriage to the late Mr. A.H. Heineken or to members who are also members of the Board of Directors of Heineken Holding N.V.

The Supervisory Board has drawn up a rotation schedule in order to avoid, as far as possible, a situation in which many Supervisory Board members retire at the same time. The rotation schedule is available on [www.theHEINEKENcompany.com](http://www.theHEINEKENcompany.com).

### Profile

The Supervisory Board has prepared a profile of its size and composition, taking account of the nature of the business, its activities and the desired expertise and background of the Supervisory Board members. The profile deals with the aspects of diversity in the composition of the Supervisory Board that are relevant to the Company and states what specific objective is pursued by the Supervisory Board in relation to diversity. Each Supervisory Board member shall be capable of assessing the broad outline of the overall policy. At least one member of the Supervisory Board shall be a financial expert with relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities. The composition of the Supervisory Board shall be such that it is able to carry out its duties properly. The profile is available on [www.theHEINEKENcompany.com](http://www.theHEINEKENcompany.com).

### Role

The role of the Supervisory Board is to supervise the management of the Executive Board and the general affairs of the Company and its affiliated enterprises, as well as to assist the Executive Board by providing advice. In discharging its role, the Supervisory Board shall be guided by the interests of the Company and its affiliated enterprises and shall take into account the relevant interest of the Company's stakeholders.

The supervision of the Executive Board by the Supervisory Board includes the achievement of the Company's objectives, the corporate strategy and the risks inherent in the business activities, the design and effectiveness of the internal risk and control systems, the financial reporting process, compliance with primary and secondary legislation, the Company-shareholder relationship and corporate social responsibility issues that are relevant to the Company.

The Supervisory Board evaluates at least once a year the corporate strategy and the main risks of the business, the result of the assessment by the Executive Board of the design and effectiveness of the internal risk management and control systems, as well as any significant changes thereto.

The division of duties within the Supervisory Board and the procedure of the Supervisory Board is laid down in the Regulations for the Supervisory Board, which are available on [www.theHEINEKENcompany.com](http://www.theHEINEKENcompany.com).

A member of the Supervisory Board shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a conflict of interest with the Company.

The Executive Board provides the Supervisory Board with all information necessary for the exercise of the duties of the Supervisory Board.

The Supervisory Board evaluates at least once a year, without the Executive Board being present, its own functioning, the functioning of its committees and its individual members and the conclusions that must be drawn on the basis thereof. The Supervisory Board also evaluates the desired profile, composition and competence of the Supervisory Board.

Moreover, the Supervisory Board evaluates at least once a year without the Executive Board being present both the functioning of the Executive Board as an organ of the Company and the performance of its individual members and the conclusions that must be drawn on the basis thereof.

### Resolutions subject to Supervisory Board approval

Certain resolutions of the Executive Board are subject to the approval of the Supervisory Board. Examples are resolutions concerning the operational and financial objectives of the Company, the strategy designed to achieve the objectives, the parameters to be applied in relation to the strategy (for example in respect of the financial ratios) and corporate social responsibility issues that are relevant to the Company. Also decisions to enter into transactions under which Executive Board or Supervisory Board members would have conflicts of interest that are of material significance to the Company and/or to the relevant Executive Board member/ Supervisory Board member require the approval of the Supervisory Board. Further reference is made to Article 8 paragraph 6 of the Articles of Association of the Company, which contains a list of resolutions of the Executive Board that require Supervisory Board approval.

### Chairman

The Supervisory Board appoints from its members a Chairman (currently C.J.A. van Lede).

The Chairman of the Supervisory Board may not be a former member of the Executive Board.

The Chairman of the Supervisory Board ensures the proper functioning of the Supervisory Board and its committees and acts on behalf of the Supervisory Board as the main contact for the Executive Board and for shareholders regarding the functioning of the Executive and Supervisory Board members.



## Vice-Chairman

The Supervisory Board appoints from its members a Vice-Chairman (currently J.A. Fernández Carbajal).

The Vice-Chairman of the Supervisory Board acts as deputy for the Chairman.

The Vice-Chairman acts as contact for individual Supervisory Board members and Executive Board members concerning the functioning of the Chairman of the Supervisory Board.

## Delegated Member

The General Meeting of Shareholders may appoint one of the Supervisory Board members as Delegated Member (currently M. Das).

The delegation of powers to the Delegated Member does not exceed the duties of the Supervisory Board and does not comprise the management of the Company. It intends to effect a more intensive supervision and advice and more regular consultation with the Executive Board.

The Delegated Member has a veto right concerning resolutions of the Supervisory Board to approve the resolutions of the Executive Board referred to in Article 8 paragraph 6 under a, b and c of the Articles of Association of the Company.

## Committees

The Supervisory Board has five committees, the Preparatory Committee, the Audit Committee, the Remuneration Committee, the Selection & Appointment Committee and the Americas Committee.

The function of these committees is to prepare the decision-making of the Supervisory Board. The Supervisory Board has drawn up regulations for each committee, which indicate the role and responsibility of the committee concerned, its composition and the manner in which it discharges its duties. These regulations are available on [www.theHEINEKENcompany.com](http://www.theHEINEKENcompany.com).

The Report of the Supervisory Board states the composition of the committees, the number of committee meetings and the main items discussed.

## Preparatory Committee

The Preparatory Committee prepares decision-making of the Supervisory Board on matters not already handled by any of the other committees, such as in relation to acquisitions and investments.

## Audit Committee

The Audit Committee may not be chaired by the Chairman of the Supervisory Board or by a former member of the Executive Board.

At least one member of the Audit Committee shall be a financial expert with relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities.

The Audit Committee focuses on supervising the activities of the Executive Board with respect to (i) the operation of the internal risk management and control systems, including the enforcement of the relevant primary and secondary legislation and supervising the operation of codes of conduct, (ii) the provision of financial information by the Company, (iii) compliance with recommendations and observations of internal and external auditors, (iv) the role and functioning of the internal audit function, (v) the policy of the Company on tax planning, (vi) relations with the external auditor, including, in particular, his independence, remuneration and any non-audit services for the Company, (vii) the financing of the Company and (viii) the applications of information and communication technology.

The Audit Committee acts as the principal contact for the external auditor if he discovers irregularities in the content of the financial reporting.

The Audit Committee meets with the external auditor as often as it considers necessary, but at least once a year, without the Executive Board members being present.

## Remuneration Committee

The Remuneration Committee may not be chaired by the Chairman of the Supervisory Board or by a former member of the Executive Board or by a Supervisory Board member who is a member of the management board of another listed company. However, given the structure of the Heineken Group and the character of the Board of Directors of Heineken Holding N.V., the Remuneration Committee may be chaired by a Supervisory Board member who is a member of the Board of Directors of Heineken Holding N.V. (as currently is the case with Mr. M. Das).

No more than one member of the Remuneration Committee may be a member of the management board of another Dutch listed company.

The Remuneration Committee, inter alia, makes the proposal to the Supervisory Board for the remuneration policy to be pursued, and makes a proposal for the remuneration of the individual members of the Executive Board for adoption by the Supervisory Board.

### Selection & Appointment Committee

The Selection & Appointment Committee, inter alia, (i) draws up selection criteria and appointment procedures for Supervisory Board members and Executive Board members, (ii) periodically assesses the size and composition of the Supervisory Board and the Executive Board, and makes a proposal for a composition profile of the Supervisory Board, (iii) periodically assesses the functioning of individual Supervisory Board members and Executive Board members and reports on this to the Supervisory Board, (iv) makes proposals for appointments and reappointments and (v) supervises the policy of the Executive Board on the selection criteria and appointment procedures for senior management.

### Americas Committee

The Americas Committee advises the Supervisory Board on the overall strategic direction of the Americas Region and reviews and evaluates the performance, the organisation and the management in the Americas Region.

### Decree Article 10 Take-Over Directive Shares

The issued share capital of Heineken N.V. amounts to EUR921,604,180.80, consisting of 576,002,613 shares of EUR1.60 each. Each share carries one vote. The shares are listed on Euronext Amsterdam.

All shares carry equal rights and are freely transferable (unless provided otherwise hereunder).

Shares repurchased by Heineken N.V. for the share-based long-term variable awards or for any other purpose do not carry any voting rights and dividend rights.

Shareholders who hold shares on a predetermined record date are entitled to attend and vote at General Meetings of Shareholders. The record date for the Annual General Meeting of Shareholders of 25 April 2013 is 28 days before the Annual General Meeting of Shareholders, i.e. on 28 March 2013.

### Substantial shareholdings

Pursuant to the Financial Supervision Act (Wet op het financieel toezicht) and the Decree on Disclosure of Major Holdings and Capital Interests in Issuing Institutions (Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen), the Financial Markets Authority has been notified about the following substantial shareholding regarding Heineken N.V.:

- Mrs. C.L. de Carvalho-Heineken (indirectly 50.005 per cent; the direct 50.005 per cent shareholder is Heineken Holding N.V.)
- Voting Trust (FEMSA) (indirectly 10.14 per cent; the direct 10.14 per cent shareholder is CB Equity LLP); as at 31 December 2012 CB Equity LLP holds 12.53 per cent
- Massachusetts Financial Services Company (a capital interest of 2.12 per cent and a voting interest of 5.00 per cent of which 2.94 per cent is held directly and 2.06 per cent is held indirectly).

### Restrictions related to shares held by FEMSA

Upon completion (on 30 April 2010) of the acquisition of the beer operations of Fomento Económico Mexicano, S.A.B. de C.V. ('FEMSA'), CB Equity LLP (belonging to the FEMSA group) received Heineken N.V. shares (and Heineken Holding N.V. shares). Pursuant to the Corporate Governance Agreement of 30 April 2010 concluded between Heineken N.V., Heineken Holding N.V., L'Arche Green N.V., FEMSA and CB Equity LLP the following applies:

- Subject to certain exceptions, FEMSA, CB Equity LLP and any member of the FEMSA group shall not increase its shareholding in Heineken Holding N.V. above 20 per cent and shall not increase its holding in the Heineken Group above a maximum of 20 per cent economic interest (such capped percentages referred to as the 'Voting Ownership Cap').
- Subject to certain exceptions, FEMSA, CB Equity LLP and any member of the FEMSA group may not exercise any voting rights in respect of any shares beneficially owned by it, if and to the extent such shares are in excess of the applicable Voting Ownership Cap.
- FEMSA, CB Equity and any member of the FEMSA group may not sell any shares in Heineken N.V. (and in Heineken Holding N.V.) for a five-year period, subject to certain exceptions, including amongst others, (i) beginning in year three, the right to sell up to 1 per cent of all outstanding shares of each of Heineken N.V. and Heineken Holding N.V. in any calendar quarter and (ii) beginning in year three, the right to sell any Heineken N.V. shares and/or any Heineken Holding N.V. shares in any private block sale outside the facilities of a stock exchange so long as Heineken Holding N.V. (as to Heineken N.V. shares) respectively L'Arche Green N.V. (as to Heineken Holding N.V. shares) is given first the opportunity to acquire such shares at the market price thereof.
- Unless FEMSA's economic interest in the HEINEKEN Group were to fall below 14 per cent, the current FEMSA control structure were to change or FEMSA were to be subject to a change of control, FEMSA is entitled to have two representatives on the Heineken N.V. Supervisory Board, one of whom will be Vice-Chairman, who also serves as the FEMSA representative on the Board of Directors of Heineken Holding N.V.

## Share plans

There is a share-based Long-Term Variable Award ('LTV') for both the Executive Board members and senior management. Eligibility for participation is based on objective criteria.

Each year, performance shares are awarded to the participants. Depending on the fulfilment of certain predetermined performance conditions during a three-year performance period, the performance shares will vest and the participants will receive Heineken N.V. shares.

Shares received by Executive Board members upon vesting under the Long-Term Variable Award are subject to a holding period of five years as from the date of award of the respective performance shares, which is approximately two years from the vesting date.

Under the Short-Term Variable Pay ('STV') for the Executive Board, the Executive Board members are entitled to receive a cash bonus subject to the fulfilment of predetermined performance conditions. The Executive Board members are obliged to invest at least 25 per cent of their STV payout in Heineken N.V. shares (investment shares) to be delivered by Heineken N.V.; the maximum they can invest in Heineken N.V. shares is 50 per cent of their STV payout (at their discretion).

The investment shares (which are acquired by the Executive Board members in the year after the year over which the STV payout is calculated) are subject to a holding period of five years as from 1 January of the year in which the investment shares are acquired.

Executive Board members are entitled to receive one additional Heineken N.V. share (a matching share) for each investment share held by them at the end of the respective holding period. The entitlement to receive matching shares shall lapse upon the termination by the Company of the employment agreement for an urgent reason ('dringende reden') within the meaning of the law or in case of dismissal for cause ('ontslag met gegronde redenen') whereby the cause for dismissal concerns unsatisfactory functioning of the Executive Board member.

In exceptional non-recurring situations, extraordinary share entitlements may be awarded by the Executive Board to employees. These share entitlements are usually non-performance related and the employees involved are usually entitled to receive Heineken N.V. shares after the expiry of a period of time.

The shares required for the LTV, the STV and the extraordinary share entitlements will be acquired by Heineken N.V. The transfer of shares to the participants under the LTV, to the Executive Board members under the STV and the recipients of extraordinary share entitlements requires the approval of the Supervisory Board of Heineken N.V.

## Change of control

There are no important agreements to which Heineken N.V. is a party and that will automatically come into force, be amended or be terminated under the condition of a change of control over Heineken N.V. as a result of a public offer.

However, in the situation of a change control over Heineken N.V. (as defined in the respective agreement), the contractual conditions of most of Heineken N.V.'s important financing agreements and the terms and conditions of Heineken N.V.'s bond issues after 2003 entitle the banks and bondholders respectively to claim early repayment of the amounts borrowed by Heineken N.V.

Also some of HEINEKEN's important joint venture agreements provide that in case of a change of control over HEINEKEN (as defined in the respective agreement), the other party to such agreement may exercise its right to purchase HEINEKEN's shares in the joint venture, as a result of which the respective joint venture agreement will terminate.

## Compensation rights on termination of employment agreements

There are no agreements of Heineken N.V. with Executive Board members or other employees that specifically entitle them to any compensation rights upon termination of their employment after completion of a public offer on Heineken N.V. shares.

If Heineken N.V. gives notice of termination of the employment agreement for a reason which is not an urgent reason ('dringende reden') within the meaning of the law, Heineken N.V. shall pay severance compensation to the Executive Board member on expiry of the employment agreement. This severance compensation shall be set on the basis of the notion of reasonableness taking into account all the circumstances of the matter, including whether the Executive Board member shall be bound by a non-competition obligation and whether any allowance is paid by Heineken N.V. in relation to this non-competition obligation. In case of dismissal for cause ('ontslag met gegronde reden') whereby the cause for dismissal concerns unsatisfactory functioning of the Executive Board member, the severance compensation cannot exceed one year's base salary, including holiday allowance.

## Appointment and dismissal of Supervisory and Executive Board members

Members of the Supervisory Board and the Executive Board are appointed by the General Meeting of Shareholders on the basis of a non-binding nomination by the Supervisory Board.

The General Meeting of Shareholders can dismiss members of the Supervisory Board and the Executive Board by a majority of the votes cast, if the subject majority at least represents one-third of the issued capital.



### Amendment of the Articles of Association

The Articles of Association can be amended by resolution of the General Meeting of Shareholders in which at least half of the issued capital is represented and exclusively either at the proposal of the Supervisory Board or at the proposal of the Executive Board that has been approved by the Supervisory Board, or at the proposal of one or more shareholders representing at least half of the issued capital.

### Acquisition of own shares

On 19 April 2012, the Annual General Meeting of Shareholders authorised the Executive Board (for the statutory maximum period of 18 months), to acquire own shares subject to the following conditions and with due observance of the law and the Articles of Association (which require the approval of the Supervisory Board):

- a. The maximum number of shares which may be acquired is 10 per cent of the issued share capital of Heineken N.V.
- b. Transactions must be executed at a price between the nominal value of the shares and 110 per cent of the opening price quoted for the shares in the Official Price List (Officiële Prijscourant) of Euronext Amsterdam on the date of the transaction or, in the absence of such a price, the latest price quoted therein.
- c. Transactions may be executed on the stock exchange or otherwise.

The authorisation may be used in connection with the LTV for the members of the Executive Board and the LTV for senior management, but may also serve other purposes, such as other acquisitions. A new authorisation will be submitted for approval to the Annual General Meeting of Shareholders of 25 April 2013.

### Issue of shares

On 19 April 2012, the Annual General Meeting of Shareholders also authorised the Executive Board (for a period of 18 months) to issue shares or grant rights to subscribe for shares and to restrict or exclude shareholders' pre-emption rights, with due observance of the law and Articles of Association (which require the approval of the Supervisory Board). The authorisation is limited to 10 per cent of Heineken N.V.'s issued share capital, as at the date of issue. The authorisation may be used in connection with the LTV for the members of the Executive Board and the LTV for senior management, but may also serve other purposes, such as acquisitions. A new authorisation will be submitted for approval to the Annual General Meeting of Shareholders of 25 April 2013.

Executive Board

J.F.M.L. van Boxmeer  
D.R. Hooft Graafland

Amsterdam, 12 February 2013

# Report of the Supervisory Board

## To the Shareholders

**During the year under review, the Supervisory Board performed its duties in accordance with primary and secondary legislation and the Articles of Association of Heineken N.V. and supervised and advised the Executive Board on an ongoing basis.**

### **Financial statements and profit appropriation**

The Supervisory Board hereby submits to the shareholders the financial statements and the report of the Executive Board for the financial year 2012, as prepared by the Executive Board and approved by the Supervisory Board in its meeting of 12 February 2013. The financial statements of this Annual Report can be found under the financial statements section of this Annual Report. KPMG Accountants N.V. audited the financial statements. Their report can be found on page 153 in the Other information section.

The Supervisory Board recommends that shareholders, in accordance with the Articles of Association, adopt these financial statements and, as proposed by the Executive Board, appropriate EUR512 million for payment of dividend. The underlying principle of the dividend policy is that 30-35 per cent of net profit before exceptional items and amortisation of brands (net profit beia) is placed at the disposal of shareholders for distribution as dividend. The proposed dividend amounts to EUR0.89 per share of EUR1.60 nominal value, of which EUR0.33 was paid as an interim dividend on 4 September 2012.

### **Supervisory Board composition, independence and remuneration**

#### **Composition**

The Annual General Meeting of Shareholders on 19 April 2012 appointed Mr. G.J. Wijers as member of the Supervisory Board for a period of four years. Mr. Wijers became member of the Audit Committee. As announced in 2012, Mr. Wijers will succeed Mr. C.J.A. van Lede as Chairman of the Supervisory Board after the General Meeting of Shareholders on 25 April 2013. Mrs. M.E. Minnick was reappointed as member of the Supervisory Board for a period of four years.

Mr. J.M. Hessels stepped down from the Supervisory Board as at 19 April 2012.

The Supervisory Board has a diverse composition in terms of experience, gender, nationality and age. Two out of ten members are women and five out of ten members are non-Dutch. There are five nationalities (American, Belgian, British, Dutch and Mexican) and the age ranges between 51 and 70. The Supervisory Board is of the opinion that the present composition reflects a broad selection of society and industry and markets HEINEKEN operates in.

In line with the Dutch Act on Management and Supervision (Wet bestuur en toezicht), the profile of the Supervisory Board states that the Supervisory Board shall pursue that at least 30 per cent of the seats shall be held by men and at least 30 per cent by women. Currently 20 per cent of the Supervisory Board members are female. Diversity and gender are important drivers in the selection process. With reference thereto, the Supervisory Board will retain an active and open attitude as regards selecting female candidates.

Messrs. Das and Navarre will resign by rotation from the Supervisory Board at the Annual General Meeting of Shareholders on 25 April 2013. Messrs. Das and Navarre are eligible for re-appointment for a period of four years. It is also proposed to re-appoint Mr. Das as delegated member of the Supervisory Board. Non-binding nominations for their re-appointment will be submitted to the Annual General Meeting of Shareholders.

Furthermore a non-binding nomination will be submitted to the Annual General Meeting of Shareholders for the appointment of Mr. H. Scheffers as member of the Supervisory Board as at 25 April 2013 for a period of four years. It is the intention that Mr. Scheffers will become a member of the Audit Committee succeeding Mr. Wijers in the Audit Committee. The Notes to the agenda contain further information on the appointment.

Mr. Van Lede will step down as member and Chairman at the Annual General Meeting of Shareholders on 25 April 2013. Mr. Van Lede has been member of the Supervisory Board since 2002 and Chairman since 2004. The Supervisory Board is grateful for the way he fulfilled his role as Chairman and for his commitment over ten years and the Supervisory Board appreciates his contributions to the Supervisory Board and the Committee meetings. His experience and his personality were of utmost value to the Company.

#### **Independence**

The Supervisory Board endorses the principle that the composition of the Supervisory Board shall be such that its members are able to act critically and independently of one another and of the Executive Board and any particular interests. In a strictly formal sense, Messrs. Astaburagua Sanjinés, de Carvalho, Das, Fernández Carbajal and De Jong do not meet the applicable criteria for 'independence' as set out in the Dutch Corporate Governance Code dated 10 December 2008. However, the Supervisory Board has ascertained that Messrs. Astaburagua Sanjinés, de Carvalho, Das, Fernández Carbajal and De Jong in fact act critically and independently.

## Remuneration

The General Meeting of Shareholders determines the remuneration of the members of the Supervisory Board. In 2011 the Annual General Meeting of Shareholders resolved to adjust the remuneration of the Supervisory Board effective 1 January 2011. The detailed amounts are stated in the Notes to the financial statements.

## Meetings and activities of the Supervisory Board

During 2012 the Supervisory Board held 12 meetings with the Executive Board. The agenda included subjects such as the Company's strategy, the financial position of the Group, the results of the Regions and Operating Companies, acquisitions, large investment proposals, the yearly budget, management changes and the internal risk management and control systems. The external auditor attended the meeting in which the annual results were discussed. In 2012 specific attention was given to:

- The proposal from the Executive Board to acquire APB in Asia. Many extra meetings were called to discuss strategy, price and tactics and to inform the members on the developments.
- The Supervisory Board had a one-day meeting with the Executive Board to discuss the Company's strategic priorities. Several members of the Executive Committee presented their strategic topics.
- The Supervisory Board visited Lagos, Nigeria where local management of Nigerian Breweries and Consolidated Breweries presented developments. The Supervisory Board met with the Management Teams of both companies as well as with the members of the Board of Directors of both companies. Also an external guest was invited to inform the Supervisory Board on general developments in Nigeria. The brewery in Lagos was visited as well as outlets (on-and-off premise).
- During the year several representatives of Senior Management were invited to give presentations to the Supervisory Board. In 2012 the following subjects were presented in more detail:
  - The sustainability agenda
  - Human Resources and succession planning.
- Since mid-2012 a start was made with regular Executive Sessions (without the Executive Board being present). In these sessions, subjects such as remuneration and evaluation of the meetings are discussed. One Executive Session was solely dedicated to the evaluation of the Supervisory Board relating to performance, working methods, procedures and functioning of the Supervisory Board, its committees and its members as well as the functioning of the Executive Board, based on the individual interviews with the Supervisory Board and Executive Board members conducted by Mr. Wijers, in his role as future Chairman of the Supervisory Board. The main conclusions and actions were discussed in a joint meeting with the Executive Board and related to planning and processes.

- An induction programme was set up for Mr. Wijers. As part of the programme Mr. Wijers attended, next to his membership of the Audit Committee, many Committee meetings as a guest. Furthermore, he had meetings with several Senior Executives and conducted the assessment of the Supervisory Board and Executive Board.

The Chairman of the Supervisory Board met frequently with the CEO, amongst others, to prepare the Supervisory Board meetings and to monitor progress.

The Supervisory Board confirms that all Supervisory Board members have adequate time available to give sufficient attention to the concerns of the Company. The attendance rate as a whole was 91 per cent. In 2012, primarily in view of the many extra (TelCo) meetings which were scheduled at short notice, not everyone was able to join all meetings and as a consequence two Supervisory Board members were frequently absent (HEINEKEN considers an absence of twice or more as frequent). One of these members was absent twice and one member was absent four times, out of 12 meetings. However, in case of absence, members are fully informed in advance, enabling to provide input for the meeting and they are also updated on the meeting outcomes.

## Committees

The Supervisory Board has five Committees; the Preparatory Committee, the Audit Committee, the Selection & Appointment Committee, the Remuneration Committee and the Americas Committee. The terms of reference for the Committees are posted on the Company's website.

### Preparatory Committee

Composition: Messrs. Van Lede (Chairman), de Carvalho, Das and Fernández Carbajal.

The Preparatory Committee met 13 times. The Committee prepares decision-making by the Supervisory Board.

### Audit Committee

Composition: Messrs. De Jong (Chairman), Astaburuaga Sanjinés, Navarre and Wijers. The Audit Committee met four times. The members collectively have the experience and financial expertise to supervise the financial statements and the risk profile of Heineken N.V.

The CFO attended all meetings, as well as the external auditor and the Executive Director Global Audit. The CEO and the Chief Control & Accounting Officer attended three out of four meetings. Other members of the Executive Committee and other Executive Directors attended as required.

## To the Shareholders continued

The Executive Director Global Audit has direct access to the Audit Committee, primarily through its chairman. During the year, the Audit Committee met in a private meeting once with the external auditors and once with the Executive Director Global Audit without management being present.

The Audit Committee discussed regular topics, such as the annual and interim financial statements, the effectiveness and the outcome of the risk management process and the adequacy of internal control policies. The Audit Committee also discussed the effectiveness of the internal audit function and the matters arising from the internal audit reports, the scope of the external auditor, approach and fees, as well as reports from the external auditor. As part of the selection process of the external auditor, the Audit Committee discussed the policy on auditor independence and non-audit services, and took consideration of the nature, scope and appropriateness of non-audit services supplied by the external auditor. In the Annual General Meeting of Shareholders of 2012 the external auditor, KPMG Accountants N.V. was reappointed for a four-year period (financial statements 2012-2015).

- Twice a year presentations are given by the Chief Global Business Services (GBS) on the developments of GBS, including the IT programmes, Global Procurement and Financial Shared Services.
- Yearly, as part of the functional updates, litigation and risk management were discussed in the presence of the Executive Director Global Legal Affairs.
- HEINEKEN's governance, risk and compliance (GRC) activities were discussed including the updated and revitalised HEINEKEN Company Rules and the HEINEKEN Code of Business Conduct.
- The Audit Committee discussed the outcome of the annual Letter of Representation process and the reports from the Integrity Committee related to fraud reporting and whistle-blowing reporting.
- The Chairman of the Audit Committee assessed the functioning of the Audit Committee through individual meetings with the members of the Audit Committee and management. The outcome was included in the Supervisory Board assessment and discussed with management.

### Selection & Appointment Committee

Composition: Messrs. Van Lede (Chairman), de Carvalho Das, Fernández Carbajal, and Mrs. Fentener van Vlissingen.

The Selection & Appointment Committee met twice. In the meetings, proposals for the composition of the Supervisory Board were developed and the rotation schedule of the Supervisory Board was discussed for approval by the Supervisory Board.

### Remuneration Committee

Composition: Messrs. Das (Chairman), de Carvalho, Van Lede and Mrs. Fentener van Vlissingen.

The Remuneration Committee met six times.

In 2012 the Remuneration Committee finalised a proposal for the replacement of two companies in HEINEKEN's Global Labour Market Peer Group for Executive Board remuneration. Replacement was inevitable since the two companies ceased to exist in their previous forms by spinning-off part of their business.

The Committee also proposed recommendations to the Supervisory Board on target setting and payout levels for the short-term variable pay and long-term variable awards for the Executive Board as well as aligning the CEO's base salary with peer group median level, a retention share award for the CEO and an extraordinary share grant for the Executive Board. Details are described in the Remuneration Report.

The Remuneration Committee received a presentation on trends in Executive Remuneration and Executive Remuneration Governance in order to fulfil its remuneration governance responsibilities.

The presentation aimed, amongst others, to review alignment of HEINEKEN's remuneration practices with its remuneration principles, to provide an overview of HEINEKEN's competitive positioning versus the market and to update the Committee on executive compensation trends and on regulatory developments. A copy of the report was also submitted to the full Supervisory Board.

### Americas Committee

Composition: Messrs. Fernández Carbajal (Chairman), de Carvalho and Mrs. Minnick.

The committee advises the Supervisory Board on the overall strategic direction of the Americas Region and reviews and evaluates the performance, the organization and the management in the Americas Region. The Chairman of the Executive Board and the Regional President Americas also attend the Americas Committee meetings.

The Committee met twice in 2012 and paid attention to specific developments in the region, presented by the Regional President Americas.



## Executive Board composition and remuneration

### Composition

Best practice provision II.1.1 of the Dutch Corporate Governance Code of 10 December 2008 recommends that an Executive Board member is appointed for a period of four years and that a member may be reappointed for a term of not more than four years at a time. In compliance with this best practice provision, the Supervisory Board has drawn up a rotation schedule in order to avoid, as far as possible, a situation in which Executive Board members retire at the same time.

- Mr. van Boxmeer was appointed in 2001 for an indefinite term and will be re-appointed for a period of four years as at 25 April 2013. A non-binding nomination will be submitted to the Annual General Meeting of Shareholders in this respect.
- Mr. Hooft Graafland was initially appointed for an indefinite term in 2002 and he was re-appointed in 2011 for a period of four years.

Pursuant to the Act on Management and Supervision, the Supervisory Board shall pursue that on the Executive Board at least 30 per cent of the seats shall be held by men and at least 30 per cent by women.

Currently, there are no female members on the Executive Board.

With reference thereto, a global Diversity and Inclusion initiative targets to fill HEINEKEN's talent pipeline with diversity through a variety of activities in order to ensure and monitor equal opportunities in recruitment, career development, promotion, training and reward for all employees.

Furthermore, HEINEKEN promotes the placement of women in non-executive director and supervisory board positions through initiatives driven by the European Round Table and Professional Boards Forum.

### Remuneration

In 2011 the Annual General Meeting of Shareholders approved the current remuneration policy for the Executive Board. For 2012 the policy remained unchanged. Details of the policy, the proposals and its implementation are described in the Remuneration Report.

### Appreciation

The Supervisory Board wishes to express its gratitude to the members of the Executive Board and all HEINEKEN employees for their hard work and dedication in 2012.

Supervisory Board Heineken N.V.

Van Lede	Fentener van Vlissingen
Fernández Carbajal	Minnick
Das	Navarre
de Carvalho	Astaburuaga Sanjinés
De Jong	Wijers

Amsterdam, 12 February 2013

# Remuneration Report

The Executive Board's remuneration policy reflects our longstanding remuneration principles of supporting the business strategy, paying for performance, and paying competitively and fairly. The remuneration policy and underlying principles continue to support our business growth in the widely diverse markets in which we operate. In 2012 the Remuneration Committee has reviewed the remuneration policy versus its implementation, and its outcome versus performance. As a result, the Supervisory Board has decided, subject to approval by the 2013 Annual General Meeting of Shareholders, to reward the members of the Executive Board with an extraordinary share award for their excellent performance in the successful acquisition of Asia Pacific Breweries Limited this year. This acquisition truly signified a landmark achievement since it complemented a process of significantly growing HEINEKEN's footprint in all regions of the world, none excluded, thus consolidating a very solid position in its home markets while simultaneously becoming an even stronger player with high exposure in growth markets. Secondly, the Supervisory Board has decided to realign the CEO's base salary with peer group median level. Finally, to foster the intended re-appointment of the CEO and to ensure the CEO is retained for HEINEKEN for a number of years ahead, the Supervisory Board has also decided, subject to approval by the 2013 Annual General Meeting of Shareholders, to grant a retention share award to him.

## Introduction

The Remuneration Report includes three sections:

- **Part I** – Describes the current Executive Board's remuneration policy, as adopted by the Annual General Meeting of Shareholders in 2005 and subsequently adjusted in 2007, 2010 and 2011
- **Part II** – Provides details of the Executive Board's actual remuneration for 2012
- **Part III** – Outlines proposals for approval to the 2013 Annual General Meeting of Shareholders to reward the members of the Executive Board with an extraordinary share award and to grant a retention share award to the CEO.

## Part I – Executive Board remuneration policy

### Remuneration principles

The Executive Board's remuneration policy is designed to meet four key principles:

- **Support the business strategy** – We align our remuneration policy with business strategies focused on creating long-term growth and shareholder value, while maintaining a tight focus on short-term financial results;
- **Pay for performance** – We set clear and measurable targets for our short-term variable pay and long-term variable award policies, and we pay higher remuneration when targets are exceeded and lower remuneration when targets are not met;
- **Pay competitively** – We set target remuneration to be competitive with other relevant multinational corporations of similar size and complexity; and
- **Pay fairly** – We set target remuneration to be internally consistent and fair; we regularly review internal pay relativities between the Executive Board and senior managers and aim to achieve consistency and alignment where possible.

### Summary overview of remuneration elements

The Executive Board's remuneration policy is simple and transparent in design, and consists of the following key elements:

Remuneration element	Description	Strategic role
Base salary	<ul style="list-style-type: none"> <li>involves fixed cash compensation</li> <li>aims for the median of the labour market peer group.</li> </ul>	<ul style="list-style-type: none"> <li>attraction</li> <li>reward for performance of day-to-day activities.</li> </ul>
Short-term variable pay	<ul style="list-style-type: none"> <li>is based on achievements of annual measures, of which a weighted 75 per cent relate to financial measures for Heineken N.V. and 25 per cent to individual leadership measures</li> <li>aims, at target level, for the median of the labour market peer group</li> <li>is partly paid in cash, and partly in investment shares with a holding restriction of five calendar years:               <ul style="list-style-type: none"> <li>the part paid in shares is between 25-50 per cent of the full gross pay, depending on the individual's choice</li> <li>the part in cash is paid net of taxes (i.e. after deduction of withholding tax due on the full gross pay)</li> </ul> </li> <li>investment shares are matched on a 1:1 basis after the holding period.</li> </ul>	<ul style="list-style-type: none"> <li>drive and reward annual HEINEKEN performance</li> <li>drive and reward sound business decisions for the long-term health of HEINEKEN</li> <li>align Executive Board and shareholder interests.</li> </ul>
Long-term variable award	<ul style="list-style-type: none"> <li>is based on achievements of three-year financial targets for Heineken N.V.</li> <li>aims, at target level, for the median of the labour market peer group</li> <li>is awarded through the vesting of shares, net of taxes (i.e. after deduction of withholding tax due on the full gross award)</li> <li>vested shares are blocked for another two years, to arrive at a five-year holding restriction after the date of the conditional performance grant.</li> </ul>	<ul style="list-style-type: none"> <li>drive and reward sound business decisions for the long-term health of HEINEKEN</li> <li>align Executive Board and shareholder interests</li> <li>support Executive retention.</li> </ul>
Pensions	<ul style="list-style-type: none"> <li>Defined Contribution Pension Plan or Capital Creation Plan.</li> </ul>	<ul style="list-style-type: none"> <li>provide for employee welfare and retirement needs.</li> </ul>

# Remuneration Report continued

## Labour market peer group

A new global labour market peer group was adopted by the Annual General Meeting of Shareholders in 2011. The median target remuneration of this peer group is a reference point for the target remuneration of the CEO and CFO. Each year, the Remuneration Committee validates the peer group to ensure relevance, and recommends adjustments to the Supervisory Board when needed. For 2011 and 2012, the peer group consisted of the following companies:

- Anheuser-Busch InBev (BE)
- Carlsberg (DK)
- Coca-Cola (US)
- Colgate-Palmolive (US)
- Danone (FR)
- Diageo (UK)
- Henkel (DE)
- Kimberley-Clark (US)
- Kraft Foods (US)
- L'Oréal (FR)
- Pepsico (US)
- Philips (NL)
- SABMiller (UK)
- Sara Lee (US)
- Unilever (NL)

In 2012, two companies from the labour market peer group, Kraft Foods and Sara Lee, have each split into two independent publicly traded companies. Based on our selection criteria established in 2011 (sector, revenue and geographic spread), the Supervisory Board has decided to replace Kraft Foods with its spin-off Mondelez International (US) and Sara Lee with Pernod Ricard (FR) as from 2013.

## Base salary

Base salaries are determined by reference to the median base salary level of the aforementioned labour market peer group. Every year, peer group and base salary levels are reviewed, and the Remuneration Committee may propose adjustments to the Supervisory Board taking into account external peer group data and internal pay relativities.

The base salaries for 2012 were EUR1,050,000 for the CEO and EUR650,000 for the CFO. To realign with the peer group median, the Supervisory Board has decided to increase the CEO's base salary to EUR1,150,000 as from 2013. The base salary for the CFO does not require realignment and will thus remain unchanged.

## Short-term variable pay

The short-term variable pay (STV) is designed to drive and reward the achievements of HEINEKEN's annual performance targets. Through its pay-out in both cash and investment shares it also drives and rewards sound business decisions for HEINEKEN's long-term health whilst aligning Executive Board and shareholder interests at the same time.

The target STV opportunities for both 2012 and 2013 are 140 per cent of base salary for the CEO and 100 per cent of base salary for the CFO. These opportunities are well aligned with the global labour market peer group medians. The STV opportunities are for a weighted 75 per cent based on financial and operational measures, and for a weighted 25 per cent on individual leadership measures.

At the beginning of each year, the Supervisory Board establishes the performance measures, their relative weights and corresponding targets based on HEINEKEN's business priorities for that year. The measures and their relative weights are reported in the Remuneration Report up front; the targets themselves are not reported as they are considered to be commercially sensitive.

The STV awards for 2013 will be subject to four performance measures, viz Organic Net Profit before Growth (25 per cent), Free Operating Cash Flow (25 per cent), Organic Gross Profit before Growth (25 per cent) and Individual Leadership Targets (25 per cent). The financial performance measures for 2013 have thus remained the same as for 2012, although their relative weights have levelled out (cf. Part II).



At the end of the year, the Supervisory Board reviews the Company's and individual performance against the pre-set targets, and approves the STV pay-out levels based on the performance achieved. The performance on each of the measures is reported in qualitative terms in the Remuneration Report after the end of the performance period (cf. Part II).

For threshold, target and maximum performance the following STV pay-out, as a percentage of target pay-out, applies:

- Threshold performance – 50 per cent of target
- Target performance – 100 per cent of target
- Maximum performance – 200 per cent of target

Pay-out in-between these performance levels is on a straight-line basis. Below threshold performance pay-out is zero, whereas beyond maximum performance it is capped to 200 per cent of pay-out at target.

The CEO and CFO are obliged to invest at least 25 per cent of their STV pay-out in Heineken N.V. shares (investment shares), to be delivered by the Company; the maximum they can invest in Heineken N.V. shares is 50 per cent of their STV pay-out (to their discretion). These investment shares will then be blocked and cannot be sold under any circumstance, including resignation, for five calendar years to link the value of the investment shares to long-term Company performance. After the blocking period the company will match the investment shares 1:1, i.e. one matching share is granted for each investment share. Matching entitlements will be forfeited in case of dismissal by the Company for an urgent reason within the meaning of the law ('dringende reden'), or in case of dismissal for cause ('gegronde reden') whereby the cause for dismissal concerns unsatisfactory functioning of the Executive Board member. With this 'deferral-and-matching' proposition a significant share ownership by the Executive Board is ensured, creating an increased alignment of interests with shareholders.

The Supervisory Board may, at its sole discretion in determining the final pay-out, adjust the STV amount, downwards or upwards, that would have been payable under the plan rules if the pay-out based on plan rules would produce an unfair result due to extraordinary circumstances. The Supervisory Board can also recover from the Executive Board any STV pay-out in cash, investment shares or matching shares made on the basis of incorrect financial or other data (clawback provision).

### Long-term variable award

The long-term variable award (LTV) is designed to drive and reward sound business decisions for HEINEKEN's long-term health and to align the Executive Board and shareholder interests.

The Remuneration Committee's review in 2012 reconfirmed that the CEO's LTV opportunities are significantly below peer group median. At the time in 2011 when the current peer group was introduced and the Executive Board's remuneration was adjusted accordingly, it was felt that a full alignment of the CEO's LTV opportunities with peer group median needed to be postponed to a later stage to maintain a certain gradation in the progression of remuneration over time. It has now been decided to further postpone full alignment of the CEO's LTV opportunities with peer group median. The CFO's LTV opportunities are still well aligned with peer group median. As a result, the target LTV opportunities for 2012 are, and for 2013 remain, 150 per cent of base salary for the CEO and 125 per cent of base salary for the CFO.

Each year, a target number of performance shares is conditionally granted based on the aforementioned target LTV opportunity percentage and the closing share price of 31 December of the preceding year; the vesting of these performance shares is, since the grant of 2010, contingent on HEINEKEN's performance on four fundamental financial performance measures.

- Organic Gross Profit before Growth – a measure to drive top-line growth – the key measure of Company strength,
- Organic EBIT before Growth – a measure to drive operational efficiency,
- Earnings Per Share (EPS) before Growth – a measure of overall long-term Company performance,
- Free Operating Cash Flow – a measure to drive focus on cash.

These four performance measures have equal weights to minimise the risk that participants over-emphasise one performance measure to the detriment of others. At the beginning of each performance period, the Supervisory Board establishes the corresponding targets on these performance measures based on HEINEKEN's business priorities. These targets are not reported in the Remuneration Report as they are considered to be commercially sensitive.

## Remuneration Report continued

At the end of the performance period, the Supervisory Board reviews the Company's performance against the pre-set targets, and approves the LTV vesting based on the performance achieved. The performance on each of the measures is reported in qualitative terms in the Remuneration Report after the end of the performance period (cf. Part II).

For each performance measure, a threshold, target and maximum performance level is set with the following performance share vesting schedule:

- Threshold performance – 50 per cent of performance shares vest
- Target performance – 100 per cent of performance shares vest
- Maximum performance – 200 per cent of performance shares vest

Vesting in-between these performance levels is on a straight-line basis. Below threshold performance vesting is zero, whereas beyond maximum performance it is capped to 200 per cent of vesting at target.

The Supervisory Board may, at its sole discretion, adjust the number of shares, downwards or upwards, that would have vested under the aforementioned vesting schedule if this would produce an unfair result due to extraordinary circumstances. The Supervisory Board can also recover from the Executive Board any shares which vested on the basis of incorrect financial or other data (clawback provision).

The vested performance shares that remain after income tax withholding are subject to an additional holding restriction of two years.

### Pensions

The members of the Executive Board can either participate in a Defined Contribution Pension Plan or in a Capital Creation Plan. In the Capital Creation Plan the Executive Board member elects to receive as taxable income the contribution amounts from the Defined Contribution Pension Plan, less an amount equivalent to the employee contribution in that plan. Both CEO and CFO participate in the Capital Creation Plan.

As from 2012 the Defined Contribution Pension Plan and the Capital Creation Plan for Executive Board members have been fully aligned with the corresponding plans for the Top Executives under Dutch employment contract below the Executive Board.

### Part II – The Executive Board's actual remuneration for 2012

The following table provides an overview of the Executive Board's actual remuneration for 2012. The Supervisory Board conducted a scenario analysis with respect to possible outcomes of the variable remuneration for 2012.

	Base salary in EUR	Short-term variable pay <sup>1</sup> in EUR	No. of performance shares vesting	Long-term variable award <sup>2</sup> Value as of 31.12.12 of performance shares vesting in EUR	Pension Cost in EUR
Van Boxmeer	1,050,000	1,361,220	24,539	1,238,483	495,797
Hoofdt Graafland	650,000	601,900	13,432	677,913	317,815

<sup>1</sup> The short-term variable pay relates to the performance year 2012 and becomes payable in 2013. Both CEO and CFO have chosen to invest 50 per cent of this value in Heineken N.V. shares (investment shares). Matching entitlements on these investment shares are not included in the numbers.

<sup>2</sup> The long-term variable awards relate to the performance period 2010-2012 and vest within five business days after the publication of the financial statements on 13 February 2013; the awards are disclosed in gross terms (i.e. before deduction of withholding tax due).

### Realisation 2012 Short-term variable pay

The STV pay for 2012 was subject to four performance measures: Organic Net Profit beia Growth (20 per cent), Free Operating Cash Flow (20 per cent), Organic Gross Profit beia Growth (35 per cent) and individual leadership targets (25 per cent). The Supervisory Board determined the results against the pre-set targets on these measures as follows:

- Organic Net Profit beia Growth – above target performance
- Free Operating Cash Flow – above target performance
- Organic Gross Profit beia Growth – below threshold performance
- Individual leadership targets – above target performance

The resulting STV pay-out for 2012 is equal to 92.6 per cent of pay-out at target level for both CEO and CFO.

The table below provides an overview of the investment shares that were awarded as part of STV pay-outs in the past, but that are blocked and awaiting 1:1 matching by the Company, provided the conditions thereto are met:

	STV pay-out for	% of STV pay-out invested in shares	No. of investment shares awarded	Value of investment shares as of the award date in EUR	End of blocking period	Value of investment shares as of 31.12.2012 in EUR
Van Boxmeer	2012	50%	t.b.d. <sup>1</sup>	680,610	31.12.2017	n.a.
	2011	50%	23,272	882,009	31.12.2016	1,174,538
	2010	50%	16,125 <sup>2</sup>	653,125	31.12.2015	813,829
Hooft Graafland	2012	50%	t.b.d. <sup>1</sup>	300,950	31.12.2017	n.a.
	2011	50%	10,291	390,029	31.12.2016	519,387
	2010	50%	8,274 <sup>2</sup>	335,157	31.12.2015	417,589

<sup>1</sup> The number of shares awarded in relation to the STV pay-out for 2011 and beyond is determined by dividing the part of the STV pay-out that is invested in shares by the closing share price of the date of publication of the financial statements for that year and subsequent rounding. For the STV pay-out for 2012 this date is 13 February 2013; for the STV pay-out for 2011 this date was 15 February 2012.

<sup>2</sup> The number of shares awarded in relation to the STV pay-out for 2010 was determined by dividing the part of the STV pay-out that is invested in shares by the closing share price of 21 April 2011, the date on which the AGM approved the Executive Board remuneration policy 2011.

#### Realisation 2010-2012 Long-term variable award

After 2012 the conditional performance shares granted in 2010 are subject to vesting. The vesting of the LTV award for 2010-2012 is subject to Heineken N.V. performance on four financial measures with equal weights. The Supervisory Board determined the results against the pre-set targets on these measures as follows:

- Organic Gross Profit beia Growth – below threshold performance
- Organic EBIT beia Growth – below threshold performance
- Earnings Per Share (EPS) beia Growth – above target performance
- Free Operating Cash Flow – above target performance

As a result, the vesting of the LTV grant for 2010-2012 will be equal to 68.75 per cent of the vesting at target level for both CEO and CFO.

The table below provides an overview of outstanding LTV awards (awards made but not yet vested as of 31 December 2012):

	Grant date	No. of shares conditionally granted at target level <sup>1</sup>	Value of shares conditionally granted as of the grant date in EUR	Vesting date <sup>2</sup>	No. of shares vesting on the vesting date <sup>3</sup>	End of blocking period	Value of unvested shares as of 31.12.2012 <sup>4</sup> in EUR
Van Boxmeer	2012	44,031	1,668,775	02.2015	–	02.2017	2,222,245
	2011	42,927	1,617,489	02.2014	–	02.2016	2,166,526
	2010	35,692	1,323,102	02.2013	24,539	02.2015	1,238,483
Hooft Graafland	2012	22,715	860,899	02.2015	–	02.2017	1,146,426
	2011	22,145	834,424	02.2014	–	02.2016	1,117,658
	2010	19,537	724,237	02.2013	13,432	02.2015	677,913

<sup>1</sup> Determined according to plan rules, using the closing share price of 31 December of the year preceding the grant.

<sup>2</sup> Within five business days immediately following the publication of the financial statements, to occur after completion of the performance period.

<sup>3</sup> The long-term variable award related to the performance period 2010-2012 is disclosed in gross terms (i.e. before deduction of withholding tax due).

<sup>4</sup> The value for the 2010 grant is based on the number of shares vesting on the vesting date, whereas for the 2011 and 2012 grants the values are based on the number of shares conditionally granted at target level.

As per 31 December 2012 there are no vested LTV awards subject to the two year blocking period, as the conditional target grants made in 2008 and 2009 did not result in any shares being vested in 2011 and 2012 respectively.

## **Part III – Proposals for approval to the 2013 Annual General Meeting of Shareholders to reward the members of the Executive Board with an extraordinary share award and to grant a retention share award to the CEO.**

As a result of the Remuneration Committee's review of the Executive Board's remuneration policy versus its implementation, and its outcome versus performance, the Supervisory Board has decided to submit the following proposals for approval to the 2013 Annual General Meeting of Shareholders.

The Supervisory Board conducted a scenario analysis with respect to possible outcomes of the variable remuneration for 2013.

### **Extraordinary share awards for the CEO and CFO**

The acquisition of Asia Pacific Breweries Limited this year signified a landmark achievement; it complemented a process of significantly growing HEINEKEN's footprint in all regions of the world, none excluded, thus consolidating a very solid position in its home markets while simultaneously becoming an even stronger player with high exposure in growth markets. To recognise the excellent achievements of the CEO and CFO in the successful acquisition of Asia Pacific Breweries Limited, the Supervisory Board has decided to reward the CEO and CFO with an extraordinary share award to the value of their 2012 base salary plus short-term variable pay opportunity at target level, amounting to EUR2.52 million for the CEO (gross) and EUR1.3 million for the CFO (gross). The share awards will be granted after the close of the 2013 Annual General Meeting, subject to its approval, against the closing share price of that day, and net of taxes (i.e. after deduction of withholding tax due on the full gross award). In accordance with best practice provision II.2.5 of the Dutch Corporate Governance Code, the awarded Heineken N.V. shares will remain blocked for a period of five years, also in case of resignation during that period. Clawback provisions will apply to these awards. HEINEKEN does not comply with best practice provision II.2.5 in the sense that these share awards are not dependent on targets specified beforehand.

### **Retention share award to the CEO**

To foster the intended re-appointment of the CEO and to ensure the CEO is retained for HEINEKEN for a number of years ahead, the Supervisory Board has decided to grant a retention share award to the CEO. This retention share award will be granted immediately after the close of the 2013 Annual General Meeting, subject to its approval, to the value of EUR1.5 million (gross), against the closing share price of that day. After two years the share award will vest and will be converted into Heineken N.V. shares, provided the CEO is still in service at that time. After vesting, a three year holding restriction will apply to these shares also in case of resignation during that period, to align with shareholder interests, while complying with best practice provision II.2.5 of the Dutch Corporate Governance Code at the same time. HEINEKEN does not comply with best practice provision II.2.5 in the sense that this share award is not dependent on targets specified beforehand.

This retention share award will be forfeited in case of dismissal by the Company for an urgent reason within the meaning of the law ('dringende reden'), or in case of dismissal for cause ('gegronde reden') whereby the cause for dismissal concerns unsatisfactory functioning of the CEO. In addition, clawback provisions will apply to this award.

Supervisory Board Heineken N.V.

Amsterdam, 12 February 2013



## Financial statements

## Consolidated Income Statement

	Note	2012	2011
<b>For the year ended 31 December</b>			
In millions of EUR			
Revenue	5	18,383	17,123
Other income	8	1,510	64
Raw materials, consumables and services	9	(11,849)	(10,966)
Personnel expenses	10	(3,037)	(2,838)
Amortisation, depreciation and impairments	11	(1,316)	(1,168)
Total expenses		(16,202)	(14,972)
Results from operating activities		3,691	2,215
Interest income	12	62	70
Interest expenses	12	(551)	(494)
Other net finance income/(expenses)	12	219	(6)
Net finance expenses		(270)	(430)
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	16	213	240
Profit before income tax		3,634	2,025
Income tax expense	13	(525)	(465)
Profit		3,109	1,560
Attributable to:			
Equity holders of the Company (net profit)		2,949	1,430
Non-controlling interests		160	130
Profit		3,109	1,560
Weighted average number of shares – basic	23	575,022,338	585,100,381
Weighted average number of shares – diluted	23	576,002,613	586,277,702
Basic earnings per share (EUR)	23	5.13	2.44
Diluted earnings per share (EUR)	23	5.12	2.44

# Consolidated Statement of Comprehensive Income

	Note	2012	2011
<b>For the year ended 31 December</b>			
In millions of EUR			
Profit		<b>3,109</b>	1,560
Other comprehensive income:			
Foreign currency translation differences for foreign operations	24	45	(493)
Effective portion of change in fair value of cash flow hedges	24	14	(21)
Effective portion of cash flow hedges transferred to profit or loss	24	41	(11)
Ineffective portion of cash flow hedges (transferred to profit or loss)	24	–	–
Net change in fair value available-for-sale investments	24	135	71
Net change in fair value available-for-sale investments transferred to profit or loss	24	(148)	(1)
Actuarial gains and losses	24/28	(439)	(93)
Share of other comprehensive income of associates/joint ventures	24	(1)	(5)
Other comprehensive income, net of tax	24	<b>(353)</b>	(553)
<b>Total comprehensive income</b>		<b>2,756</b>	1,007
Attributable to:			
Equity holders of the Company		2,608	884
Non-controlling interests		148	123
<b>Total comprehensive income</b>		<b>2,756</b>	1,007

# Consolidated Statement of Financial Position

	Note	2012	2011
<b>As at 31 December</b>			
In millions of EUR			
<b>Assets</b>			
Property, plant & equipment	14	8,792	7,860
Intangible assets	15	17,725	10,835
Investments in associates and joint ventures	16	1,950	1,764
Other investments and receivables	17	1,099	1,129
Advances to customers	32	312	357
Deferred tax assets	18	564	474
<b>Total non-current assets</b>		<b>30,442</b>	<b>22,419</b>
Inventories	19	1,596	1,352
Other investments	17	11	14
Trade and other receivables	20	2,537	2,260
Prepayments and accrued income		232	170
Cash and cash equivalents	21	1,037	813
Assets classified as held for sale	7	124	99
<b>Total current assets</b>		<b>5,537</b>	<b>4,708</b>
<b>Total assets</b>		<b>35,979</b>	<b>27,127</b>
<b>Equity</b>			
Share capital		922	922
Share premium		2,701	2,701
Reserves		365	498
Allotted Share Delivery Instrument		–	–
Retained earnings		7,703	5,653
<b>Equity attributable to equity holders of the Company</b>		<b>11,691</b>	<b>9,774</b>
Non-controlling interests	6/22	1,071	318
<b>Total equity</b>	<b>22</b>	<b>12,762</b>	<b>10,092</b>
<b>Liabilities</b>			
Loans and borrowings	25	11,437	8,199
Tax liabilities		140	160
Employee benefits	28	1,632	1,174
Provisions	30	418	449
Deferred tax liabilities	18	1,790	894
<b>Total non-current liabilities</b>		<b>15,417</b>	<b>10,876</b>
Bank overdrafts	21	191	207
Loans and borrowings	25	1,863	981
Trade and other payables	31	5,273	4,624
Tax liabilities		305	207
Provisions	30	129	140
Liabilities classified as held for sale	7	39	–
<b>Total current liabilities</b>		<b>7,800</b>	<b>6,159</b>
<b>Total liabilities</b>		<b>23,217</b>	<b>17,035</b>
<b>Total equity and liabilities</b>		<b>35,979</b>	<b>27,127</b>

# Consolidated Statement of Cash Flows

	Note	2012	2011
<b>For the year ended 31 December</b>			
In millions of EUR			
<b>Operating activities</b>			
Profit		3,109	1,560
Adjustments for:			
Amortisation, depreciation and impairments	11	1,316	1,168
Net interest expenses	12	489	424
Gain on sale of property, plant & equipment, intangible assets and subsidiaries, joint ventures and associates	8	(1,510)	(64)
Investment income and share of profit and impairments of associates and joint ventures and dividend income on AFS and HFT investments		(238)	(252)
Income tax expenses	13	525	465
Other non-cash items		(110)	244
<b>Cash flow from operations before changes in working capital and provisions</b>		<b>3,581</b>	<b>3,545</b>
Change in inventories		(52)	(145)
Change in trade and other receivables		(64)	(21)
Change in trade and other payables		217	417
<b>Total change in working capital</b>		<b>101</b>	<b>251</b>
Change in provisions and employee benefits		(164)	(76)
<b>Cash flow from operations</b>		<b>3,518</b>	<b>3,720</b>
Interest paid		(490)	(485)
Interest received		82	65
Dividends received		184	137
Income taxes paid		(599)	(526)
<b>Cash flow related to interest, dividend and income tax</b>		<b>(823)</b>	<b>(809)</b>
<b>Cash flow from operating activities</b>		<b>2,695</b>	<b>2,911</b>
<b>Investing activities</b>			
Proceeds from sale of property, plant & equipment and intangible assets		131	101
Purchase of property, plant & equipment	14	(1,170)	(800)
Purchase of intangible assets	15	(78)	(56)
Loans issued to customers and other investments		(143)	(127)
Repayment on loans to customers		50	64
<b>Cash flow (used in)/from operational investing activities</b>		<b>(1,210)</b>	<b>(818)</b>
<b>Free operating cash flow</b>		<b>1,485</b>	<b>2,093</b>
Acquisition of subsidiaries, net of cash acquired	6	(3,311)	(806)
Acquisition/additions of associates, joint ventures and other investments	6	(1,246)	(166)
Disposal of subsidiaries, net of cash disposed of		–	(9)
Disposal of associates, joint ventures and other investments		142	44
<b>Cash flow (used in)/from acquisitions and disposals</b>		<b>(4,415)</b>	<b>(937)</b>
<b>Cash flow (used in)/from investing activities</b>		<b>(5,625)</b>	<b>(1,755)</b>



	Note	2012	2011
<b>For the year ended 31 December 2012</b>			
<i>In millions of EUR</i>			
<b>Financing activities</b>			
Proceeds from loans and borrowings		6,837	1,782
Repayment of loans and borrowings		(2,928)	(1,587)
Dividends paid		(604)	(580)
Purchase own shares		–	(687)
Acquisition of non-controlling interests		(252)	(11)
Disposal of interests without a change in control		–	43
Other		3	6
<b>Cash flow (used in)/from financing activities</b>		<b>3,056</b>	<b>(1,034)</b>
<b>Net cash flow</b>		<b>126</b>	<b>122</b>
Cash and cash equivalents as at 1 January		606	478
Effect of movements in exchange rates		114	6
<b>Cash and cash equivalents as at 31 December</b>	<b>21</b>	<b>846</b>	<b>606</b>

# Consolidated Statement of Changes in Equity

In millions of EUR	Note	Share capital	Share Premium	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	ASDI	Retained earnings	Equity attributable to equity holders of the Company	Non-controlling interests	Total equity
<b>Balance as at 1 January 2011</b>		922	2,701	(93)	(27)	90	899	(55)	666	4,829	9,932	288	10,220
Other comprehensive income	12/24	–	–	(482)	(42)	69	–	–	–	(91)	(546)	(7)	(553)
Profit		–	–	–	–	–	253	–	–	1,177	1,430	130	1,560
<b>Total comprehensive income</b>		–	–	(482)	(42)	69	253	–	–	1,086	884	123	1,007
Transfer to retained earnings		–	–	–	–	–	(126)	–	–	126	–	–	–
Dividends to shareholders		–	–	–	–	–	–	–	–	(474)	(474)	(97)	(571)
Purchase/reissuance own/non-controlling shares		–	–	–	–	–	–	(687)	–	–	(687)	(1)	(688)
Allotted Share Delivery Instrument		–	–	–	–	–	–	694	(666)	(28)	–	–	–
Own shares delivered		–	–	–	–	–	–	5	–	(5)	–	–	–
Share-based payments		–	–	–	–	–	–	–	–	11	11	–	11
Share purchase mandate		–	–	–	–	–	–	–	–	96	96	–	96
Acquisition of non-controlling interests without a change in control		–	–	–	–	–	–	–	–	(21)	(21)	(1)	(22)
Disposal of interests without a change in control		–	–	–	–	–	–	–	–	33	33	6	39
<b>Balance as at 31 December 2011</b>		922	2,701	(575)	(69)	159	1,026	(43)	–	5,653	9,774	318	10,092

In millions of EUR	Note	Share capital	Share Premium	Translation reserve	Hedging reserve	Fair value reserve	Other legal reserves	Reserve for own shares	Retained earnings	Equity attributable to equity holders of the Company	Non-controlling interests	Total equity
<b>Balance as at 1 January 2012</b>		<b>922</b>	<b>2,701</b>	<b>(575)</b>	<b>(69)</b>	<b>159</b>	<b>1,026</b>	<b>(43)</b>	<b>5,653</b>	<b>9,774</b>	<b>318</b>	<b>10,092</b>
Other comprehensive income	12/24	-	-	48	58	(9)	4	-	(442)	(341)	(12)	(353)
Profit		-	-	-	-	-	222	-	2,727	2,949	160	3,109
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>48</b>	<b>58</b>	<b>(9)</b>	<b>226</b>	<b>-</b>	<b>2,285</b>	<b>2,608</b>	<b>148</b>	<b>2,756</b>
Transfer to retained earnings		-	-	-	-	-	(473)	-	473	-	-	-
Dividends to shareholders		-	-	-	-	-	-	-	(494)	(494)	(110)	(604)
Purchase/reissuance own/non-controlling shares		-	-	-	-	-	-	-	-	-	-	-
Own shares delivered		-	-	-	-	-	-	17	(17)	-	-	-
Share-based payments		-	-	-	-	-	-	-	15	15	-	15
Share purchase mandate		-	-	-	-	-	-	-	-	-	-	-
Acquisition of non-controlling interests without a change in control		-	-	-	-	-	-	-	(212)	(212)	715	503
Disposal of interests without a change in control		-	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31 December 2012</b>		<b>922</b>	<b>2,701</b>	<b>(527)</b>	<b>(11)</b>	<b>150</b>	<b>779</b>	<b>(26)</b>	<b>7,703</b>	<b>11,691</b>	<b>1,071</b>	<b>12,762</b>

# Notes to the Consolidated Financial Statements

## 1. Reporting entity

Heineken N.V. (the 'Company') is a company domiciled in the Netherlands. The address of the Company's registered office is Tweede Weteringplantsoen 21, Amsterdam. The consolidated financial statements of the Company as at and for the year ended 31 December 2012 comprise the Company, its subsidiaries (together referred to as 'HEINEKEN' or the 'Group' and individually as 'HEINEKEN' entities) and HEINEKEN's interest in jointly controlled entities and associates.

A summary of the main subsidiaries, jointly controlled entities and associates is included in note 36 and 16 respectively. The APIPL/APB acquisition has been included in the consolidated financial statements from 15 November 2012.

HEINEKEN is primarily involved in the brewing and selling of beer.

## 2. Basis of preparation

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. All standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) effective year-end 2012 have been adopted by the EU, except that the EU carved out certain hedge accounting provisions of IAS 39. The Company does not utilise this carve-out permitted by the EU, as it is not applicable. Consequently, the accounting policies applied by the Company also comply fully with IFRS as issued by the IASB.

The consolidated financial statements have been prepared by the Executive Board of the Company and authorised for issue on 12 February 2013 and will be submitted for adoption to the Annual General Meeting of Shareholders on 25 April 2013.

### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis unless otherwise indicated.

The methods used to measure fair values are discussed further in note 3 and 4.

### (c) Functional and presentation currency

These consolidated financial statements are presented in euro, which is the Company's functional currency. All financial information presented in Euro has been rounded to the nearest million unless stated otherwise.

### (d) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.



In particular, information about assumptions and estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in the following notes:

Note 6 Acquisitions and disposals of subsidiaries and non-controlling interests

Note 15 Intangible assets

Note 16 Investments in associates and joint ventures

Note 17 Other investments and receivables

Note 18 Deferred tax assets and liabilities

Note 28 Employee benefits

Note 29 Share-based payments – Long-Term Variable award (LTV)

Note 30 Provisions

Note 32 Financial risk management and financial instruments

Note 34 Contingencies.

#### (e) Changes in accounting policies

There were no changes made to the HEINEKEN accounting policies in 2012, the changes in standards and interpretations effective from 1 January 2012 had no significant impact on the company.

### 3. Significant accounting policies

#### General

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by HEINEKEN entities.

#### (a) Basis of consolidation

##### (i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred plus the fair value of any previously-held equity interest in the acquiree and the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent considerations are recognised in profit or loss.

##### (ii) Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

## 3. Significant accounting policies continued

### (iii) Subsidiaries

Subsidiaries are entities controlled by HEINEKEN. Control exists when HEINEKEN has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by HEINEKEN. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

### (iv) Special Purpose Entities (SPEs)

An SPE is consolidated if, based on an evaluation of the substance of its relationship with HEINEKEN and the SPEs risks and rewards, HEINEKEN concludes that it controls the SPE. SPEs controlled by HEINEKEN were established under terms that impose strict limitations on the decision-making powers of the SPEs management and that result in HEINEKEN receiving the majority of the benefits related to the SPEs operations and net assets, being exposed to the majority of risks incident to the SPEs activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

### (v) Loss of control

Upon the loss of control, HEINEKEN derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If HEINEKEN retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

### (vi) Investments in associates and joint ventures

Investments in associates are those entities in which HEINEKEN has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of another entity. Joint ventures are those entities over whose activities HEINEKEN has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in associates and joint ventures are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include HEINEKEN's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of HEINEKEN, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When HEINEKEN's share of losses exceeds the carrying amount of the associate, including any long-term investments, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that HEINEKEN has an obligation or has made a payment on behalf of the associate or joint venture.

### (vii) Transactions eliminated on consolidation

Intra-HEINEKEN balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-HEINEKEN transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted associates and JVs are eliminated against the investment to the extent of HEINEKEN's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**(b) Foreign currency****(i) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of HEINEKEN entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss arising on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale (equity) investments and foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment, which are recognised in other comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at cost remain translated into the functional currency at historical exchange rates.

**(ii) Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to euro at exchange rates approximating the exchange rates ruling at the dates of the transactions. Group entities, with a functional currency being the currency of a hyperinflationary economy, first restate their financial statements in accordance with IAS 29, Financial Reporting in Hyperinflationary Economies (see 'Reporting in hyperinflationary economies' below). The related income, costs and balance sheet amounts are translated at the foreign exchange rate ruling at the balance sheet date.

Foreign currency differences are recognised in other comprehensive income and are presented within equity in the translation reserve. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When HEINEKEN disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When HEINEKEN disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented within equity in the translation reserve.

# Notes to the consolidated financial statements continued

## 3. Significant accounting policies continued

The following exchange rates, for the most important countries in which HEINEKEN has operations, were used while preparing these consolidated financial statements:

In EUR	Year-end 2012	Year-end 2011	Average 2012	Average 2011
BRL	0.3699	0.4139	0.3987	0.4298
GBP	1.2253	1.1972	1.2332	1.1522
MXN	0.0582	0.0554	0.0592	0.0578
NGN	0.0049	0.0049	0.0050	0.0047
PLN	0.2455	0.2243	0.2390	0.2427
RUB	0.0248	0.0239	0.0250	0.0245
SGD	0.6207	0.5946	0.6229	0.5718
VND in 1,000	0.0364	0.0367	0.0373	0.0348
USD	0.7579	0.7729	0.7783	0.7184

### (iii) Reporting in hyperinflationary economies

When the economy of a country in which we operate is deemed hyperinflationary and the functional currency of a Group entity is the currency of that hyperinflationary economy, the financial statements of such Group entities are adjusted so that they are stated in terms of the measuring unit current at the end of the reporting period. This involves restatement of income and expenses to reflect changes in the general price index from the start of the reporting period and, restatement of non-monetary items in the balance sheet, such as P, P & E to reflect current purchasing power as at the period end using a general price index from the date when they were first recognised. Comparative amounts are not adjusted. Any differences arising were recorded in equity on adoption.

### (iv) Hedge of net investments in foreign operations

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective and regardless of whether the net investment is held directly or through an intermediate parent. These differences are presented within equity in the translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the relevant amount in the translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

## (c) Non-derivative financial instruments

### (i) General

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described hereafter.

If HEINEKEN has a legal right to offset financial assets with financial liabilities and if HEINEKEN intends either to settle on a net basis or to realise the asset and settle the liability simultaneously then financial assets and liabilities are presented in the statement of financial position as a net amount.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts form an integral part of HEINEKEN's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting policies for interest income, interest expenses and other net finance income and expenses are discussed in note 3r.

### (ii) Held-to-maturity investments

If HEINEKEN has the positive intent and ability to hold debt securities to maturity, they are classified as held-to-maturity. Debt securities are loans and long-term receivables and are measured at amortised cost using the effective interest method, less any impairment losses. Investments held-to-maturity are recognised or derecognised on the day they are transferred to or by HEINEKEN.

*(iii) Available-for-sale investments*

HEINEKEN's investments in equity securities and certain debt securities are classified as available-for-sale. Subsequent to initial recognition, they are measured at fair value and changes therein – other than impairment losses (see note 3i(i)), and foreign currency differences on available-for-sale monetary items (see note 3b(ii)) – are recognised in other comprehensive income and presented within equity in the fair value reserve. When these investments are derecognised, the relevant cumulative gain or loss in the fair value reserve is transferred to profit or loss.

Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the profit or loss. Available-for-sale investments are recognised or derecognised by HEINEKEN on the date it commits to purchase or sell the investments.

*(iv) Investments at fair value through profit or loss*

An investment is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if HEINEKEN manages such investments and makes purchase and sale decisions based on their fair value in accordance with HEINEKEN's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss as incurred.

Investments at fair value through profit or loss are measured at fair value, with changes therein recognised in profit or loss as part of the other net finance income/(expenses). Investments at fair value through profit and loss are recognised or derecognised by HEINEKEN on the date it commits to purchase or sell the investments.

*(v) Other*

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Included in non-derivative financial instruments are advances to customers. Subsequently, the advances are amortised over the term of the contract as a reduction of revenue.

*(d) Derivative financial instruments (including hedge accounting)**(i) General*

HEINEKEN uses derivatives in the ordinary course of business in order to manage market risks. Generally HEINEKEN seeks to apply hedge accounting in order to minimise the effects of foreign currency, interest rate or commodity price fluctuations in profit or loss.

Derivatives that can be used are interest rate swaps, forward rate agreements, caps and floors, commodity swaps, spot and forward exchange contracts and options. Transactions are entered into with a limited number of counterparties with strong credit ratings. Foreign currency, interest rate and commodity hedging operations are governed by internal policies and rules approved and monitored by the Executive Board.

Derivative financial instruments are recognised initially at fair value, with attributable transaction costs recognised in profit or loss as incurred. Derivatives for which hedge accounting is not applied are accounted for as instruments at fair value through profit or loss. When derivatives qualify for hedge accounting, subsequent measurement is at fair value, and changes therein accounted for as described in 3b(iv), 3d(ii) and 3d(iii).

*(ii) Cash flow hedges*

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income and presented in the hedging reserve within equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued and the cumulative unrealised gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity, is recognised in profit or loss immediately, or when a hedging instrument is terminated, but the hedged transaction still is expected to occur, the cumulative gain or loss at that point remains in other comprehensive income and is recognised in accordance with the above-mentioned policy when the transaction occurs. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in other comprehensive income is transferred to the same line of profit or loss in the same period that the hedged item affects profit or loss.



## 3. Significant accounting policies continued

### (iii) Fair value hedges

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognised in profit or loss and adjusts the carrying amount of the hedged item.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

### (iv) Separable embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

## (e) Share capital

### (i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

### (ii) Repurchase of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares.

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

### (iii) Dividends

Dividends are recognised as a liability in the period in which they are declared.

## (f) Property, Plant and Equipment (P, P & E)

### (i) Owned assets

Items of P, P & E are measured at cost less government grants received (refer (q)), accumulated depreciation (refer (iv)) and accumulated impairment losses (3i(ii)).

Cost comprises the initial purchase price increased with expenditures that are directly attributable to the acquisition of the asset (like transports and non-recoverable taxes). The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use (like an appropriate proportion of production overheads), and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised as part of the cost of that asset. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of P, P & E.

Spare parts that are acquired as part of an equipment purchase and only to be used in connection with this specific equipment are capitalised and amortised as part of the equipment. For example, purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. In all other cases spare parts are carried as inventory and recognised in the income statement as consumed. Where an item of P, P & E comprises major components having different useful lives, they are accounted for as separate items (major components) of P, P & E.

Returnable bottles and kegs in circulation are recorded within P, P & E and a corresponding liability is recorded in respect of the obligation to repay the customers' deposits. Deposits paid by customers for returnable items are reflected in the consolidated statement of financial position within current liabilities.

**(ii) Leased assets**

Leases in terms of which HEINEKEN assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition P, P & E acquired by way of finance lease is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease. Lease payments are apportioned between the outstanding liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognised in HEINEKEN's statement of financial position. Payments made under operating leases are charged to profit or loss on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

**(iii) Subsequent expenditure**

The cost of replacing a part of an item of P, P & E is recognised in the carrying amount of the item or recognised as a separate asset, as appropriate, if it is probable that the future economic benefits embodied within the part will flow to HEINEKEN and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of P, P & E are recognised in profit or loss when incurred.

**(iv) Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Land except for financial leases on land over the contractual period, is not depreciated as it is deemed to have an infinite life. Depreciation on other P, P & E is charged to profit or loss on a straight-line basis over the estimated useful lives of items of P, P & E, and major components that are accounted for separately, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Assets under construction are not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonable certain that HEINEKEN will obtain ownership by the end of the lease term. The estimated useful lives for the current and comparative years are as follows:

▪ Buildings	30 – 40 years
▪ Plant and equipment	10 – 30 years
▪ Other fixed assets	3 – 10 years

Where parts of an item of P, P & E have different useful lives, they are accounted for as separate items of P, P & E.

The depreciation methods, residual value as well as the useful lives are reassessed, and adjusted if appropriate, at each financial year-end.

**(v) Gains and losses on sale**

Net gains on sale of items of P, P & E are presented in profit or loss as other income. Net losses on sale are included in depreciation. Net gains and losses are recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, and there is no continuing management involvement with the P, P & E.

**(g) Intangible assets****(i) Goodwill**

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the cost of the acquisition over HEINEKEN's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill arising on the acquisition of associates and joint ventures is included in the carrying amount of the associate, respectively the joint ventures. In respect of acquisitions prior to 1 October 2003, goodwill is included on the basis of deemed cost, being the amount recorded under previous GAAP. Goodwill on acquisitions purchased before 1 January 2003 has been deducted from equity.

### 3. Significant accounting policies continued

Goodwill arising on the acquisition of a non-controlling interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of exchange.

Goodwill is measured at cost less accumulated impairment losses (refer accounting policy 3i(ii)). Goodwill is allocated to individual or groups of cash-generating units (CGUs) for the purpose of impairment testing and is tested annually for impairment. Negative goodwill is recognised directly in profit or loss as other income.

#### (ii) Brands

Brands acquired, separately or as part of a business combination, are capitalised if they meet the definition of an intangible asset and the recognition criteria are satisfied.

Strategic brands are well-known international/local brands with a strong market position and an established brand name. Strategic brands are amortised on an individual basis over the estimated useful life of the brand. Other brands are amortised on a portfolio basis per country.

#### (iii) Customer-related, contract-based intangibles and reacquired rights

Customer-related and contract-based intangibles are capitalised if they meet the definition of an intangible asset and the recognition criteria are satisfied. If the amounts are not material these are included in the brand valuation. The relationship between brands and customer-related intangibles is carefully considered so that brands and customer-related intangibles are not both recognised on the basis of the same cash flows.

Reacquired rights are identifiable intangible assets recognised in an acquisition that represent the right an acquirer previously has granted to the acquiree to use one or more of the acquirer's recognised or unrecognised assets.

Customer-related and contract-based intangibles acquired as part of a business combination are valued at fair value. Customer-related and contract-based intangibles acquired separately are measured at cost.

Customer-related, contract-based intangibles and reacquired rights are amortised over the remaining useful life of the customer relationships or the period of the contractual arrangements.

#### (iv) Software, research and development and other intangible assets

Purchased software is measured at cost less accumulated amortisation (refer (vi)) and impairment losses (refer accounting policy 3i(ii)). Expenditure on internally developed software is capitalised when the expenditure qualifies as development activities, otherwise it is recognised in profit or loss when incurred.

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products, software and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and HEINEKEN intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation (refer (vi)) and accumulated impairment losses (refer accounting policy 3i(ii)).

Other intangible assets that are acquired by HEINEKEN and have finite useful lives, are measured at cost less accumulated amortisation (refer (vi)) and impairment losses (refer accounting policy 3i(ii)). Expenditure on internally generated goodwill and brands is recognised in profit or loss when incurred.

**(v) Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed when incurred.

**(vi) Amortisation**

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Intangible assets with a finite life are amortised on a straight-line basis over their estimated useful lives, other than goodwill, from the date they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives are as follows:

▪ Strategic brands	40 – 50 years
▪ Other brands	15 – 25 years
▪ Customer-related and contract-based intangibles	5 – 20 years
▪ Reacquired rights	3 – 12 years
▪ Software	3 – 7 years
▪ Capitalised development costs	3 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

**(vii) Gains and losses on sale**

Net gains on sale of intangible assets are presented in profit or loss as other income. Net losses on sale are included in amortisation. Net gains and losses are recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, and there is no continuing management involvement with the intangible assets.

**(h) Inventories****(i) General**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**(ii) Finished products and work in progress**

Finished products and work in progress are measured at manufacturing cost based on weighted averages and takes into account the production stage reached. Costs include an appropriate share of direct production overheads based on normal operating capacity.

**(iii) Other inventories and spare parts**

The cost of other inventories is based on weighted averages. Spare parts are valued at the lower of cost and net realisable value. Value reductions and usage of parts are charged to profit or loss. Spare parts that are acquired as part of an equipment purchase and only to be used in connection with this specific equipment are initially capitalised and depreciated as part of the equipment.

## 3. Significant accounting policies continued

### (i) Impairment

#### (i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in other comprehensive income and presented in the fair value reserve in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

#### (ii) Non-financial assets

The carrying amounts of HEINEKEN's non-financial assets, other than inventories (refer accounting policy (h)) and deferred tax assets (refer accounting policy (s)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or CGU is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'CGU').

For the purpose of impairment testing, goodwill acquired in a business combination, is allocated to each of the acquirer's CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored on regional, sub regional or country level depending on the characteristics of the acquisition, the synergies to be achieved and the level of integration.



An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate and joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate and joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

#### (j) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee defined benefit plan assets, which continue to be measured in accordance with HEINEKEN's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and P, P & E once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

#### (k) Employee benefits

##### (i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan (pension plan) under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employee renders the service are discounted to their present value.

## 3. Significant accounting policies continued

### (ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan (pension plan) that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

HEINEKEN's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any defined benefit plan assets are deducted. The discount rate is the yield at balance sheet date on AA-rated bonds that have maturity dates approximating the terms of HEINEKEN's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculations are performed annually by qualified actuaries using the projected unit credit method. When the calculation results in a benefit to HEINEKEN, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

HEINEKEN recognises all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

### (iii) Other long-term employee benefits

HEINEKEN's net obligation in respect of long-term employee benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at balance sheet date on high-quality credit-rated bonds that have maturity dates approximating the terms of HEINEKEN's obligations. The obligation is calculated using the projected unit credit method. Any actuarial gains and losses are recognised in other comprehensive income in the period in which they arise.

### (iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

Termination benefits are recognised as an expense when HEINEKEN is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if HEINEKEN has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

**(v) Share-based payment plan (LTV)**

As from 1 January 2005 HEINEKEN established a share plan for the Executive Board and as from 1 January 2006 HEINEKEN also established a share plan for senior management (see note 29).

The grant date fair value of the share rights granted is recognised as personnel expenses with a corresponding increase in equity (equity-settled), over the period that the employees become unconditionally entitled to the share rights. The costs of the share plan for both the Executive Board and senior management members are spread evenly over the performance period.

At each balance sheet date, HEINEKEN revises its estimates of the number of share rights that are expected to vest, for the 100 per cent internal performance conditions of the share plans 2010-2012, 2011-2013 and 2012-2014 of the senior management members and the Executive Board. It recognises the impact of the revision of original estimates – only applicable for internal performance conditions, if any, in profit or loss, with a corresponding adjustment to equity.

**(vi) Matching share entitlement**

As from 21 April 2011 HEINEKEN established a matching share entitlement for the Executive Board. The grant date fair value of the matching shares is recognised as personnel expenses in the income statement as it is deemed an equity settled incentive.

**(vii) Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term benefits if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(l) Provisions****(i) General**

A provision is recognised if, as a result of a past event, HEINEKEN has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenditures to be expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as part of the net finance expenses.

**(ii) Restructuring**

A provision for restructuring is recognised when HEINEKEN has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating losses are not provided for. The provision includes the benefit commitments in connection with early retirement and redundancy schemes.

**(iii) Onerous contracts**

A provision for onerous contracts is recognised when the expected benefits to be derived by HEINEKEN from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, HEINEKEN recognises any impairment loss on the assets associated with that contract.

**(iv) Other**

The other provisions, not being provisions for restructuring or onerous contracts, consist mainly of surety and guarantees, litigation and claims and environmental provisions.

# Notes to the consolidated financial statements continued

## 3. Significant accounting policies continued

### (m) Loans and borrowings

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Loans and borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Loans and borrowings included in a fair value hedge are stated at fair value in respect of the risk being hedged.

Loans and borrowings for which the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date, are classified as non-current liabilities.

### (n) Revenue

#### (i) Products sold

Revenue from the sale of products in the ordinary course of business is measured at the fair value of the consideration received or receivable, net of sales tax, excise duties, returns, customer discounts and other sales-related discounts. Revenue from the sale of products is recognised in profit or loss when the amount of revenue can be measured reliably, the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of products can be estimated reliably, and there is no continuing management involvement with the products.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

#### (ii) Other revenue

Other revenues are proceeds from royalties, rental income, pub management services and technical services to third parties, net of sales tax. Royalties are recognised in profit or loss on an accrual basis in accordance with the substance of the relevant agreement. Rental income, pub management services and technical services are recognised in profit or loss when the services have been delivered.

### (o) Other income

Other income are gains from sale of P, P & E, intangible assets and (interests in) subsidiaries, joint ventures and associates, net of sales tax. They are recognised in profit or loss when ownership has been transferred to the buyer.

### (p) Expenses

#### (i) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

#### (ii) Finance lease payments

Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

### (q) Government grants

Government grants are recognised at their fair value when it is reasonably assured that HEINEKEN will comply with the conditions attaching to them and the grants will be received.

Government grants relating to P, P & E are deducted from the carrying amount of the asset.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

#### (r) Interest income, interest expenses and other net finance income and expenses

Interest income and expenses are recognised as they accrue in profit or loss, using the effective interest method unless collectability is in doubt.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Other net finance income and expenses comprises dividend income, gains and losses on the disposal of available-for-sale investments, changes in the fair value of investments designated at fair value through profit or loss and held for trading investments, changes in fair value of hedging instruments that are recognised in profit or loss, unwinding of the discount on provisions and impairment losses recognised on investments. Dividend income is recognised in the income statement on the date that HEINEKEN's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Foreign currency gains and losses are reported on a net basis in the other net finance income and expenses.

#### (s) Income tax

Income tax comprises current and deferred tax. Current tax and deferred tax are recognised in the income statement except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

##### (i) Current tax

Current tax is the expected income tax payable or receivable in respect of taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to income tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

##### (ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.



## 3. Significant accounting policies continued

### (iii) Tax exposures

In determining the amount of current and deferred income tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the income tax expense in the period that such a determination is made.

### (t) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is represented as if the operation had been discontinued from the start of the comparative year.

### (u) Earnings per share

HEINEKEN presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period including the weighted average of outstanding ASDI, adjusted for the weighted average of own shares purchased in the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding including weighted average of outstanding ASDI, adjusted for the weighted average of own shares purchased in the year, for the effects of all dilutive potential ordinary shares, which comprise share rights granted to employees.

### (v) Cash flow statement

The cash flow statement is prepared using the indirect method. Changes in balance sheet items that have not resulted in cash flows such as translation differences, fair value changes, equity-settled share-based payments and other non-cash items, have been eliminated for the purpose of preparing this statement. Assets and liabilities acquired as part of a business combination are included in investing activities (net of cash acquired). Dividends paid to ordinary shareholders are included in financing activities. Dividends received are classified as operating activities. Interest paid is also included in operating activities.

### (w) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Board, who is considered to be the Group's chief operating decision maker. An operating segment is a component of HEINEKEN that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of HEINEKEN's other components. All operating segments' operating results are reviewed regularly by the Executive Board to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment results, assets and liabilities that are reported to the Executive Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated result items comprise net finance expenses and income tax expenses. Unallocated assets comprise current other investments and cash call deposits.

Segment capital expenditure is the total cost incurred during the period to acquire P, P & E, and intangible assets other than goodwill.

**(x) Emission rights**

Emission rights are related to the emission of CO<sub>2</sub>, which relates to the production of energy. These rights are freely tradable. Bought emission rights and liabilities due to production of CO<sub>2</sub> are measured at cost, including any directly attributable expenditure. Emission rights received for free are also recorded at cost, i.e. with a zero value.

**(y) Recently issued IFRS****(i) Standards effective in 2012 and reflected in these consolidated financial statements**

Standards and interpretations effective from 1 January 2012 did not have a significant impact on the Company.

**(ii) New relevant standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Company are set out below, however HEINEKEN does not expect these changes to have a significant effect on the consolidated financial statements.

- IAS 19 Employee Benefits was amended. The standard is effective for annual periods beginning on or after 1 January 2013 and was endorsed by the EU. HEINEKEN has evaluated the impact of the applicability of this new standard. The prescribed calculation method to determine the return on net assets would result in an estimated increase in total pension costs of EUR99 million for 2012. This amount represents the variance between expected return on net assets and the prescribed application of the discount rate. Previously, total pension costs were reported within personnel expenses. With effect from 1 January 2013 HEINEKEN will present the interest expense on its net pension liability, an estimated EUR60 million, in Other net finance income and expenses.
- IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. The standard is effective for annual periods beginning on or after 1 January 2015, but has not yet been endorsed by the EU. HEINEKEN is in the process of evaluating the impact of the applicability of the new standard.
- IFRS 10 Consolidated Financial Statements establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This IFRS supersedes IAS 27 Consolidated and separate financial statements and SIC-12 Consolidation – Special purpose entities and is effective for annual periods beginning on or after 1 January 2014.
- IFRS 11 Joint arrangements establishes principles for financial reporting by parties to a joint arrangement. This IFRS supersedes IAS 31 Interest in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-monetary contributions by ventures and is adopted by the EU for annual periods beginning on or after 1 January 2014. Under IFRS 11 the structure of the arrangement is no longer the only determinant for the accounting treatment and entities do no longer have a choice in accounting treatment.
- IFRS 12 Disclosure of interests in other entities applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The EU has adopted this IFRS for annual periods beginning on or after 1 January 2014. This IFRS integrates and makes consistent the disclosure requirements for all entities mentioned above.
- IFRS 13 Fair value measurement defines fair value; sets out in a single IFRS a framework for measuring fair value; and requires disclosures about fair value measurements. The EU has adopted this IFRS for annual periods beginning on or after 1 January 2014. The IFRS explains how to measure fair value for financial reporting. It does not require fair value measurements in addition to those already required or permitted by other IFRSs and is not intended to establish valuation standards or affect valuation practices outside financial reporting.
- HEINEKEN has the intention to early adopt IFRS 10, 11, 12 and 13 to align with the IASB effective date of 1 January 2013.

## 4. Determination of fair values

### General

A number of HEINEKEN's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values or for the purpose of impairment testing is disclosed in the notes specific to that asset or liability.

### Fair value as a result of business combinations

#### (i) Property, plant and equipment

The fair value of P, P & E recognised as a result of a business combination is based on the quoted market prices for similar items when available and replacement cost when appropriate.

#### (ii) Intangible assets

The fair value of brands acquired in a business combination is based on the 'relief of royalty' method or determined using the multi-period excess earnings method. The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of reacquired rights and other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

#### (iii) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

#### (iv) Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when acquired in a business combination.

### Fair value from general business operations

#### (i) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using an appropriate valuation technique. The fair value of held-to-maturity investments is determined for disclosure purposes only. In case the quoted price does not exist at the date of exchange or in case the quoted price exists at the date of exchange but was not used as the cost, the investments are valued indirectly based on discounted cash flow models.

#### (ii) Derivative financial instruments

The fair value of derivative financial instruments is based on their listed market price, if available. If a listed market price is not available, then fair value is in general estimated by discounting the difference between the cash flows based on contractual price and the cash flows based on current price for the residual maturity of the contract using a risk-free interest rate (based on inter-bank interest rates).

Fair values include the instrument's credit risk and adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

#### (iii) Non-derivative financial instruments

Fair value, which is determined for disclosure purposes or when fair value hedge accounting is applied, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Fair values include the instrument's credit risk and adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

## 5. Operating segments

HEINEKEN distinguishes the following six reportable segments:

- Western Europe
- Central and Eastern Europe
- The Americas
- Africa and the Middle East
- Asia Pacific
- Head Office and Other/eliminations.

The first five reportable segments as stated above are the Group's business regions. These business regions are each managed separately by a Regional President. The Regional President is directly accountable for the functioning of the segment's assets, liabilities and results of the region and reports regularly to the Executive Board (the chief operating decision maker) to discuss operating activities, regional forecasts and regional results. The Head Office operating segment falls directly under the responsibility of the Executive Board. For each of the six reportable segments, the Executive Board reviews internal management reports on a monthly basis.

Information regarding the results of each reportable segment is included in the table on the next page. Performance is measured based on EBIT (beia), as included in the internal management reports that are reviewed by the Executive Board. EBIT (beia) is defined as earnings before interest and taxes and net finance expenses, before exceptional items and amortisation of acquisition related intangibles. Exceptional items are defined as items of income and expense of such size, nature or incidence, that in view of management their disclosure is relevant to explain the performance of HEINEKEN for the period. EBIT and EBIT (beia) are not financial measures calculated in accordance with IFRS. EBIT (beia) is used to measure performance as management believes that this measurement is the most relevant in evaluating the results of these segments.

HEINEKEN has multiple distribution models to deliver goods to end customers. There is no reliance on major clients. Deliveries to end consumers are done in some countries via own wholesalers or own pubs, in other markets directly and in some others via third parties. As such, distribution models are country specific and on consolidated level diverse. In addition, these various distribution models are not centrally managed or monitored. Consequently, the Executive Board is not allocating resources and assessing the performance based on business type information and therefore no segment information is provided on business type.

Inter-segment pricing is determined on an arm's-length basis. As net finance expenses and income tax expenses are monitored on a consolidated level (and not on an individual regional basis) and regional presidents are not accountable for that, net finance expenses and income tax expenses are not provided per reportable segment.

# Notes to the consolidated financial statements continued

## 5. Operating segments continued

### Information about reportable segments

In millions of EUR	Note	Western Europe		Central and Eastern Europe		The Americas	
		2012	2011	2012	2011	2012	2011
<b>Revenue</b>							
Third party revenue <sup>1</sup>		7,140	7,158	3,255	3,209	4,507	4,002
Interregional revenue		645	594	25	20	16	27
<b>Total revenue</b>		<b>7,785</b>	<b>7,752</b>	<b>3,280</b>	<b>3,229</b>	<b>4,523</b>	<b>4,029</b>
Other income		13	48	9	7	2	1
<b>Results from operating activities</b>		<b>739</b>	<b>820</b>	<b>313</b>	<b>318</b>	<b>581</b>	<b>493</b>
Net finance expenses							
Share of profit of associates and joint ventures and impairments thereof		1	3	24	17	81	77
Income tax expenses							
<b>Profit</b>							
Attributable to:							
Equity holders of the Company (net profit)							
Non-controlling interest							
<b>EBIT reconciliation</b>							
EBIT		740	823	337	335	662	570
Eia <sup>2</sup>		224	139	12	11	86	85
<b>EBIT (beia)<sup>2</sup></b>	<b>27</b>	<b>964</b>	<b>962</b>	<b>349</b>	<b>346</b>	<b>748</b>	<b>655</b>
<b>Beer volumes<sup>2</sup></b>							
Consolidated beer volume		44,288	45,380	47,269	45,377	53,124	50,497
Joint Ventures' volume		–	–	7,578	7,303	9,611	9,663
Licences		288	300	–	–	74	65
<b>Group volume</b>		<b>44,576</b>	<b>45,680</b>	<b>54,847</b>	<b>52,680</b>	<b>62,809</b>	<b>60,225</b>
Current segment assets		2,007	1,843	1,082	985	1,193	1,045
Other non-current segment assets		8,015	8,186	3,423	3,365	5,649	5,619
Investment in associates and joint ventures		22	23	196	165	835	711
<b>Total segment assets</b>		<b>10,044</b>	<b>10,052</b>	<b>4,701</b>	<b>4,515</b>	<b>7,677</b>	<b>7,375</b>
Unallocated assets							
<b>Total assets</b>							
Segment liabilities		4,178	3,723	1,347	1,160	1,072	1,068
Unallocated liabilities							
<b>Total equity</b>							
<b>Total equity and liabilities</b>							
Purchase of P, P & E		260	215	197	170	250	199
Acquisition of goodwill		7	–	–	1	36	4
Purchases of intangible assets		26	11	12	9	14	20
Depreciation of P, P & E		(344)	(343)	(247)	(234)	(201)	(183)
(Impairment) and reversal of impairment of P, P & E		(36)	–	15	(2)	(17)	5
Amortisation intangible assets		(86)	(100)	(16)	(18)	(103)	(93)
(Impairment) and reversal of impairment of intangible assets		(7)	–	–	(3)	–	–

<sup>1</sup> Includes other revenue of EUR433 million in 2012 and EUR463 million in 2011.

<sup>2</sup> For definition see 'Glossary'. Note that these are both non-GAAP measures and therefore unaudited.



	Africa and the Middle East		Asia Pacific		Head Office and Other/eliminations		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011
	2,639	2,223	527	216	315	315	18,383	17,123
	–	–	–	–	(686)	(641)	–	–
	<b>2,639</b>	<b>2,223</b>	<b>527</b>	<b>216</b>	<b>(371)</b>	<b>(326)</b>	<b>18,383</b>	<b>17,123</b>
	–	3	1,486	5	–	–	1,510	64
	<b>613</b>	<b>533</b>	<b>1,546</b>	<b>64</b>	<b>(101)</b>	<b>(13)</b>	<b>3,691</b>	<b>2,215</b>
							(270)	(430)
	1	35	109	112	(3)	(4)	213	240
							(525)	(465)
							<b>3,109</b>	<b>1,560</b>
							2,949	1,430
							160	130
							<b>3,109</b>	<b>1,560</b>
	614	568	1,655	176	(104)	(17)	3,904	2,455
	38	2	(1,388)	–	36	5	(992)	242
	<b>652</b>	<b>570</b>	<b>267</b>	<b>176</b>	<b>(68)</b>	<b>(12)</b>	<b>2,912</b>	<b>2,697</b>
	23,289	22,029	3,742	1,309	–	–	171,712	164,592
	6,002	5,706	24,297	24,410	(157)	–	47,331	47,082
	1,149	1,093	675	769	1	–	2,187	2,227
	<b>30,440</b>	<b>28,828</b>	<b>28,714</b>	<b>26,488</b>	<b>(156)</b>	<b>–</b>	<b>221,230</b>	<b>213,901</b>
	959	854	913	91	(629)	(124)	5,525	4,694
	2,073	1,867	7,151	2	1,619	1,143	27,930	20,182
	281	272	534	536	82	57	1,950	1,764
	<b>3,313</b>	<b>2,993</b>	<b>8,598</b>	<b>629</b>	<b>1,072</b>	<b>1,076</b>	<b>35,405</b>	<b>26,640</b>
							574	487
							<b>35,979</b>	<b>27,127</b>
	760	653	498	36	238	508	8,093	7,148
							15,124	9,887
							12,762	10,092
							<b>35,979</b>	<b>27,127</b>
	395	202	20	–	48	14	1,170	800
	–	282	2,757	–	480	–	3,280	287
	2	–	–	–	24	16	78	56
	(176)	(140)	(11)	–	(38)	(36)	(1,017)	(936)
	(8)	(3)	–	–	2	–	(44)	–
	(6)	(6)	(24)	–	(12)	(12)	(247)	(229)
	–	–	–	–	–	–	(7)	(3)

# Notes to the consolidated financial statements continued

## 6. Acquisitions and disposals of subsidiaries and non-controlling interests

### Acquisition of the beer operations in Asia Pacific Breweries

On 17 August 2012, HEINEKEN announced that, through its wholly owned subsidiary Heineken International B.V., it had signed the definitive agreements with Fraser & Neave, Limited ('F&N') regarding the acquisition of control of Asia Pacific Investment Pte. Ltd ('APIPL') and Asia Pacific Breweries Ltd. ('APB') and their subsidiaries (together referred to as the 'Acquired Businesses', the 'Transaction' or 'APIPL/APB acquisition'). For this Transaction, Heineken agreed to pay SGD53.00 per share for F&N's entire (direct and indirect) 39.7 per cent effective stake in APB for a total consideration of EUR3,480 million and a total consideration of EUR104 million for F&N's interest in the non-APB assets held by APIPL. The Transaction has been approved by F&N's Extraordinary General Meeting on 28 September 2012 and was completed, after regulatory approvals, on 15 November 2012.

Between 17 August 2012 and 15 November 2012, HEINEKEN purchased an additional 13.7 per cent stake in APB (including an 8.6 per cent stake it acquired from Kindest Place Group Limited on 24 September 2012) for a total consideration of EUR1,194 million.

Prior to the Acquisition, HEINEKEN owned a 50 per cent stake in APIPL, a combined direct and indirect stake in APB of 55.6 per cent as well as a direct stake in PT Multi Bintang of 6.78 per cent. Together these stakes are referred to as the Previously Held Equity Interests ('PHEI'). Prior to the acquisition HEINEKEN did not have control over APB as 64.8 per cent of the shares were held by APIPL, the joint venture between F&N and HEINEKEN. In accordance with IFRS, the PHEI in the Acquired Businesses is accounted for at fair value at the date of acquisition and amounts to EUR2,975 million. The fair value of the PHEI has been determined using valuation techniques, based on the Acquired Businesses' equity value and the undisturbed share price. HEINEKEN's carrying amount consists of the book value of the original investment as well as the price paid for shares bought up to 15 November 2012. The fair value compared to HEINEKEN's carrying amount results in a non-cash exceptional gain of EUR1,486 million, recognised in Other Income.

After completion of the Transaction, HEINEKEN, in aggregate, owns a 95.3 per cent stake in APB, wholly owns APIPL and also has a combined direct and indirect stake of 83.6 per cent in PT Multi Bintang. From 15 November 2012 onwards these entities are consolidated by HEINEKEN.

On 15 November 2012, Heineken announced a Mandatory General Offer ('MGO') for all shares of APB that Heineken does not already own (i.e. the remaining 4.7 per cent APB free-float shares), in accordance with the Singapore Code on Take-overs and Mergers. HEINEKEN expects to delist APB around 18 February 2013. The total consideration for all remaining shares will be EUR398 million.

Non-controlling interests are measured based on their proportional interest in the recognised amounts of the assets and liabilities of the Acquired Businesses. HEINEKEN recognised EUR797 million of non-controlling interests of which EUR645 million represents the APIPL/APB non-controlling stakes.

The following table summarises the major classes of consideration transferred, and the recognised provisional amounts of assets acquired and liabilities assumed at the acquisition date.

In millions of EUR*	
Property, plant & equipment	731
Intangible assets	3,809
Investments in associates & joint ventures	473
Other investments and non-current receivables	82
Deferred tax assets	4
Inventories	187
Trade and other receivables	296
Assets held for sale	17
Cash and cash equivalents	377
<b>Assets acquired</b>	<b>5,976</b>
In millions of EUR*	
Loans and borrowings, current and non-current	296
Employee benefits	12
Provisions	3
Deferred tax liabilities	1,001
<b>Tax liabilities</b>	<b>95</b>

In millions of EUR*	
Trade and other current liabilities	455
<b>Liabilities assumed</b>	<b>1,862</b>
<b>Total net identifiable assets</b>	<b>4,114</b>
Consideration paid in cash for the transaction on 15 November 2012	3,584
Fair value of previously held equity interest in the acquiree	2,975
Non-controlling interests	797
Settlement of pre-existing relationship	(5)
Net identifiable assets acquired	(4,114)
<b>Goodwill on acquisition (provisional)</b>	<b>3,237</b>

\* Amounts were converted to euros at the rate of EUR/SGD1.5622 for the statement of financial position

The majority of the goodwill has been allocated to the Asia Pacific region and it is attributable to a number of factors such as the future growth platform and synergies that can be achieved. To properly account for the currency impact (in accordance with IAS21) on goodwill, the provisional amount of EUR2,757 million allocated to the Asia Pacific region is held in the following currencies. In alphabetical order; Chinese Yuan Renminbi (CNY), Indonesian Rupiah (IDR), Mongolian Tugrik (MTN), New Zealand Dollar (NZD), Papua New Guinea Kina (PGK), New Solomon Island Dollar (SBD), Singapore Dollar (SGD), Vietnamese Dong (VND), New Caledonian Franc (XPF) and Cambodia in USD. The remaining part of the provisional goodwill (EUR480 million) has been allocated to the Heineken Global Commerce cash-generating unit ('CGU') in Head office and Others and reflects the benefit to HEINEKEN for safeguarding the position of Heineken® as a global brand and future royalty streams.

Prior to the acquisition, HEINEKEN accounted for its investment in the Acquired Businesses with a three-month delay with any identified specific large, material events being recognised immediately. At the acquisition date, HEINEKEN discontinued the use of equity method accounting. Included within the revaluation gain of the PHEI is the catch up on the three-month lagging period. This gain amounts to EUR23 million and is embedded within the PHEI gain presented as Other Income.

The Acquired Businesses contributed revenue of EUR287 million and results from operating activities of negative EUR9 million (including the reversal of the EUR76 million fair value lift up on inventory) for the six-week period from 15 November 2012 to 31 December 2012. Amortisation of identified intangible assets for the six-week period amounts to EUR24 million. Had the acquisition occurred on 1 January 2012, pro-forma revenue and pro-forma results from operating activities for the 12-month period ended 31 December 2012 would have amounted to EUR1,698 million and EUR159 million, respectively. The pro-forma amortisation of identified intangible assets would have amounted to EUR191 million. This pro-forma information does not purport to represent what HEINEKEN's actual results would have been had the acquisition actually occurred on 1 January 2012, nor are they necessarily indicative of future results of operations. In determining the contributions, management has assumed that the fair value adjustments that arose on the date of the acquisition would have been the same as if the acquisition had occurred on 1 January 2012.

Acquisition-related costs of EUR28 million have been recognised in the income statement for the period ended 31 December 2012.

In accordance with IFRS 3R, the amounts recorded for the Transaction are provisional and are subject to adjustments during the measurement period if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

### Other Acquisitions

During 2012 HEINEKEN completed transactions to increase its shareholding in Brasserie Nationale d'Haiti S.A. ('BraNa'), the country's leading brewer, from 22.5 per cent to 95 per cent. HEINEKEN also acquired 100 per cent of the Belgian cider innovation company Stassen in 2012.

The acquisition of BraNa and Stassen contributed revenue of EUR113 million, results from operating activities of EUR19 million (EBIT) and amortisation of identified intangible assets amounts to EUR nil million.

The following summarises the major classes of consideration transferred, and the recognised provisional amounts of assets acquired and liabilities assumed at the acquisition date of BraNa and Stassen.

# Notes to the consolidated financial statements continued

## 6. Acquisitions and disposals of subsidiaries and non-controlling interests continued

In millions of EUR*	
Property, plant & equipment	64
Intangible assets	9
Inventories	22
Trade and other receivables	9
Cash and cash equivalents	9
<b>Assets acquired</b>	<b>113</b>
In millions of EUR*	
Loans and borrowings, current and non-current	13
Deferred tax liabilities	5
Other long term liabilities	1
Tax liabilities (current)	3
Trade and other current liabilities	22
<b>Liabilities assumed</b>	<b>44</b>
<b>Total net identifiable assets</b>	<b>69</b>
In millions of EUR*	
Consideration transferred	88
Fair value of previously held equity interest in the acquiree	21
Non-controlling interests	3
Net identifiable assets acquired	(69)
<b>Provisional goodwill on acquisition</b>	<b>43</b>

\* The 'BraNa' amounts were converted into EUR at the rate of EUR/HTG 54.2613. Additionally, certain amounts provided in US dollar were converted into EUR based at the rate of EUR/USD1.3446.

The amounts recorded for the acquired businesses are prepared on a provisional basis. Goodwill has been allocated to Haiti in the America's region which is held in HTG (Haitian Gourde) and for Stassen to the Western Europe region held in EUR. The entire amounts of goodwill are not expected to be tax deductible.

The fair value of the previously held 22.5 per cent in BraNa is recognised at EUR21 million. The revaluation to fair value of the Group's existing 22.5 per cent in BraNa resulted in a net profit of EUR20 million that has been recognised in the income statement in other net finance income (note12).

Non-controlling interests are recognised based on their proportional interest in the recognised amounts of the assets and liabilities of BraNa of EUR3 million.

Acquisition related costs are not material and have been recognised in the income statement for the period ended 31 December 2012.

### Acquisition of non-controlling interest

As part of the unwinding of their partnerships in Kazakhstan and Serbia with Efes Breweries International N.V. (EBI) HEINEKEN acquired EBI's 28 per cent stake in the Serbian operations and since 27 December wholly owns Central Europe Beverages (CEB). On 8 January 2013 HEINEKEN sold its 28 per cent stake in Efes Kazakhstan which is reported in the subsequent events note 37. Selling the cross-holdings to each other will result in a net consideration to be paid by EBI to HEINEKEN of USD161 million.

## Disposals

### Disposal of our minority shareholding in Cervecería Nacional Dominicana S.A.

On 16 April 2012 HEINEKEN sold its 9.3 per cent minority shareholding in Cervecería Nacional Dominicana S.A. ('CND') in the Dominican Republic for USD237 million, ultimately to AmBev Brasil Bebidas S.A. ('AmBev Brasil'), a subsidiary of Companhia de Bebidas das Américas – AmBev.

A pre-tax EUR175 million gain on disposal of the available for sale investment was recorded under other net finance income.

## 7. Assets and liabilities (or disposal groups) classified as held for sale

Other assets classified as held for sale represent:

- Our associate in Efes Kazakhstan. The transaction to sell our stake in Kazakhstan closed on 8 January 2013.
- HEINEKEN's share in the Chinese joint venture Jiangsu Dafuhao Breweries Co. Ltd. resulting from the acquisition of APIPL/APB. The joint venture was included as available for sale in the opening balance sheet of this acquisition. The sale of our share in Jiangsu Dafuhao Breweries has been completed on 9 January 2013.
- Assets and liabilities following the commitment of HEINEKEN to sell our wholly-owned subsidiary Pago International GmbH to Eches-Granini Group. The transaction is expected to close in the first quarter of 2013.

### Assets and liabilities classified as held for sale

In millions of EUR	2012	2011
Current assets	38	–
Non-current assets	86	99
Current liabilities	(36)	–
Non-current liabilities	(3)	–
	<b>85</b>	<b>99</b>

## 8. Other income

In millions of EUR	2012	2011
Net gain on sale of property, plant & equipment	22	35
Net gain on sale of intangible assets	2	24
Net gain on sale of subsidiaries, joint ventures and associates	1,486	5
	<b>1,510</b>	<b>64</b>

Included in other income is the fair value gain of HEINEKEN's previously held equity interest in APB amounting to EUR1,486 million (refer to note 6).



## Notes to the consolidated financial statements continued

### 9. Raw materials, consumables and services

In millions of EUR	2012	2011
Raw materials	1,892	1,576
Non-returnable packaging	2,376	2,075
Goods for resale	1,616	1,498
Inventory movements	(85)	(8)
Marketing and selling expenses	2,250	2,186
Transport expenses	1,029	1,056
Energy and water	562	525
Repair and maintenance	458	417
Other expenses	1,751	1,641
	<b>11,849</b>	<b>10,966</b>

Other expenses include rentals of EUR264 million (2011: EUR241 million), consultant expenses of EUR191 million (2011: EUR166 million), telecom and office automation of EUR179 million (2011: EUR159 million), travel expenses of EUR155 million (2011: EUR137 million) and other fixed expenses of EUR962 million (2011: EUR938 million).

### 10. Personnel expenses

In millions of EUR	Note	2012	2011
Wages and salaries		2,078	1,891
Compulsory social security contributions		352	333
Contributions to defined contribution plans		39	24
Expenses related to defined benefit plans	28	28	56
Increase in other long-term employee benefits		11	11
Equity-settled share-based payment plan	29	12	11
Other personnel expenses		517	512
		<b>3,037</b>	<b>2,838</b>

Restructuring costs related to the restructuring of wholesale operations across Western Europe are included in other personnel expenses for an amount of EUR35 million. These costs are primarily related to the Netherlands and Italy.

The average number of full-time equivalent (FTE) employees during the year was:

	2012	2011*
The Netherlands	4,053	3,991
Other Western Europe	14,410	14,749
Central and Eastern Europe	16,835	17,424
The Americas	25,035	23,906
Africa and the Middle East	14,604	11,396
Asia Pacific	1,254	279
Heineken N.V. and subsidiaries	<b>76,191</b>	<b>71,745</b>

\* Updated

## 11. Amortisation, depreciation and impairments

In millions of EUR	Note	2012	2011
Property, plant & equipment	14	1,061	936
Intangible assets	15	254	232
Impairment on available-for-sale assets		1	–
		<b>1,316</b>	<b>1,168</b>

## 12. Net finance income and expenses

### Recognised in profit or loss

In millions of EUR	2012	2011
Interest income	62	70
Interest expenses	(551)	(494)
Dividend income on available-for-sale investments	2	2
Dividend income on investments held for trading	23	11
Net gain/(loss) on disposal of available-for-sale investments	192	1
Net change in fair value of derivatives	(7)	96
Net foreign exchange gain/(loss)	15	(107)
Impairment losses on available-for-sale investments	–	–
Unwinding discount on provisions	(7)	(7)
Other net financial income/(expenses)	1	(2)
Other net finance income/(expenses)	219	(6)
Net finance income/(expenses)	<b>(270)</b>	<b>(430)</b>

Included in other net finance income on the line Net gain/(loss) on disposal of available-for-sale investments are the sale of our 9.3 per cent minority shareholding in Cervecería Nacional Dominicana S.A. in the Dominican Republic leading to a gain on disposal of the available-for-sale investment of pre-tax EUR175 million and the revaluation of HEINEKEN's existing 22.5 per cent interest in Brasserie d'Haiti of EUR20 million.

### Recognised in other comprehensive income

In millions of EUR	2012	2011
Foreign currency translation differences for foreign operations	45	(493)
Effective portion of changes in fair value of cash flow hedges	14	(21)
Effective portion of cash flow hedges transferred to profit or loss	41	(11)
Ineffective portion of cash flow hedges transferred to profit or loss	–	–
Net change in fair value of available-for-sale investments	135	71
Net change in fair value available-for-sale investments transferred to profit or loss	(148)	(1)
Actuarial (gains) and losses	(439)	(93)
Share of other comprehensive income of associates/joint ventures	(1)	(5)
	<b>(353)</b>	<b>(553)</b>
Recognised in:		
Fair value reserve	(9)	69
Hedging reserve	58	(42)
Translation reserve	48	(482)
Other	(450)	(98)
	<b>(353)</b>	<b>(553)</b>

# Notes to the consolidated financial statements continued

## 13. Income tax expense

### Recognised in the income statement

In millions of EUR	2012	2011
<b>Current tax expense</b>		
Current year	639	502
Under/(over) provided in prior years	(6)	(26)
	<b>633</b>	<b>476</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(90)	17
Previously unrecognised deductible temporary differences	(28)	(9)
Changes in tax rate	4	1
Utilisation/(benefit) of tax losses recognised	(6)	(19)
Under/(over) provided in prior years	12	(1)
	<b>(108)</b>	<b>(11)</b>
<b>Total income tax expense in the income statement</b>	<b>525</b>	<b>465</b>

### Reconciliation of the effective tax rate

In millions of EUR	2012	2011
Profit before income tax	3,634	2,025
Share of net profit of associates and joint ventures and impairments thereof	(213)	(240)
<b>Profit before income tax excluding share of profit of associates and joint ventures (including impairments thereof)</b>	<b>3,421</b>	<b>1,785</b>

	%	2012	%	2011
Income tax using the Company's domestic tax rate	25.0	855	25.0	446
Effect of tax rates in foreign jurisdictions	1.8	63	3.5	62
Effect of non-deductible expenses	1.9	64	3.2	58
Effect of tax incentives and exempt income	(13.8)	(472)	(6.0)	(107)
Recognition of previously unrecognised temporary differences	(0.8)	(28)	(0.5)	(9)
Utilisation or recognition of previously unrecognised tax losses	(0.5)	(17)	(0.3)	(5)
Unrecognised current year tax losses	0.7	25	1.0	18
Effect of changes in tax rate	0.1	4	0.1	1
Withholding taxes	0.8	27	1.5	26
Under/(over) provided in prior years	0.2	6	(1.5)	(27)
Other reconciling items	(0.1)	(2)	0.1	2
	<b>15.3</b>	<b>525</b>	<b>26.1</b>	<b>465</b>

The lower reported tax rate in 2012 of 15.3 per cent (2011: 26.1 per cent) can be explained by the tax exempt remeasurement of HEINEKEN's PHEI in APIPL/APB, prior to consolidation.

### Income tax recognised in other comprehensive income

In millions of EUR	Note	2012	2011
Changes in fair value		(24)	–
Changes in hedging reserve		(18)	13
Changes in translation reserve		(22)	11
Other		123	16
	<b>24</b>	<b>59</b>	<b>40</b>

## 14. Property, plant and equipment

In millions of EUR	Note	Land and buildings	Plant and equipment	Other fixed assets	Under construction	Total
<b>Cost</b>						
Balance as at 1 January 2011		4,397	6,207	3,939	330	14,873
Changes in consolidation		505	89	(31)	3	566
Purchases		55	99	320	326	800
Transfer of completed projects under construction		82	90	150	(322)	–
Transfer (to)/from assets classified as held for sale		(65)	–	–	–	(65)
Disposals		(35)	(92)	(255)	(6)	(388)
Effect of hyperinflation		2	11	2	2	17
Effect of movements in exchange rates		(71)	(127)	(73)	(1)	(272)
Balance as at 31 December 2011		4,870	6,277	4,052	332	15,531
Balance as at 1 January 2012		4,870	6,277	4,052	332	15,531
Changes in consolidation	6	245	385	91	77	798
Purchases		38	105	365	662	1,170
Transfer of completed projects under construction and other		58	235	270	(540)	23
Transfer (to)/from assets classified as held for sale		(37)	(21)	(24)	–	(82)
Disposals		(19)	(81)	(284)	(1)	(385)
Effect of hyperinflation		1	4	1	–	6
Effect of movements in exchange rates		59	23	23	(4)	101
Balance as at 31 December 2012		5,215	6,927	4,494	526	17,162
<b>Depreciation and impairment losses</b>						
Balance as at 1 January 2011		(1,526)	(3,124)	(2,536)	–	(7,186)
Changes in consolidation		–	4	14	–	18
Depreciation charge for the year	11	(128)	(356)	(452)	–	(936)
Impairment losses	11	–	–	(8)	–	(8)
Reversal impairment losses	11	–	3	5	–	8
Transfer to/(from) assets classified as held for sale		3	–	–	–	3
Disposals		18	92	224	–	334
Effect of movements in exchange rates		11	42	43	–	96
Balance as at 31 December 2011		(1,622)	(3,339)	(2,710)	–	(7,671)
Balance as at 1 January 2012		(1,622)	(3,339)	(2,710)	–	(7,671)
Changes in consolidation	6	–	(2)	(1)	–	(3)
Depreciation charge for the year	11	(142)	(399)	(476)	–	(1,017)
Impairment losses	11	(10)	(36)	(19)	–	(65)
Reversal impairment losses	11	4	12	5	–	21
Transfer to/(from) assets classified as held for sale		26	15	20	–	61
Disposals		5	80	261	–	346
Effect of movements in exchange rates		(14)	(9)	(19)	–	(42)
Balance as at 31 December 2012		(1,753)	(3,678)	(2,939)	–	(8,370)
<b>Carrying amount</b>						
As at 1 January 2011		2,871	3,083	1,403	330	7,687
As at 31 December 2011		3,248	2,938	1,342	332	7,860
As at 1 January 2012		3,248	2,938	1,342	332	7,860
As at 31 December 2012		3,462	3,249	1,555	526	8,792

### Impairment losses

In 2012 a total impairment loss of EUR65 million (2011: EUR8 million) was charged to the income statement.

# Notes to the consolidated financial statements continued

## 14. Property, plant and equipment continued

### Financial lease assets

The Group leases P, P & E under a number of finance lease agreements. At 31 December 2012 the net carrying amount of leased P, P & E was EUR39 million (2011: EUR39 million). During the year, the Group acquired leased assets of EUR5 million (2011: EUR6 million).

### Security to authorities

Certain P, P & E for EUR142 million (2011: EUR137 million) has been pledged to the authorities in a number of countries as security for the payment of taxation, particularly excise duties on beers, non-alcoholic beverages and spirits and import duties. This mainly relates to Brazil (see note 34).

### Property, plant and equipment under construction

P, P & E under construction mainly relates to expansion of the brewing capacity in, Mexico, Nigeria, Democratic Republic of Congo, UK, Vietnam and Russia.

### Capitalised borrowing costs

During 2012 no borrowing costs have been capitalised (2011: EUR nil).

## 15. Intangible assets

In millions of EUR	Note	Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total
<b>Cost</b>							
Balance as at 1 January 2011		7,592	2,321	1,284	222	344	11,763
Changes in consolidation		287	8	18	38	–	351
Purchases/internally developed		–	–	–	6	50	56
Disposals		–	–	–	(91)	(6)	(97)
Effect of movements in exchange rates		(70)	(57)	(74)	(13)	(10)	(224)
Balance as at 31 December 2011		7,809	2,272	1,228	162	378	11,849
Balance as at 1 January 2012		7,809	2,272	1,228	162	378	11,849
Changes in consolidation	6	3,280	2,069	1,077	624	48	7,098
Purchased/internally developed		–	–	–	7	71	78
Disposals		(11)	–	(5)	(4)	–	(20)
Transfers to assets held for sale		–	–	–	–	(1)	(1)
Effect of movements in exchange rates		(1)	(9)	4	(9)	6	(9)
Balance as at 31 December 2012		11,077	4,332	2,304	780	502	18,995
<b>Amortisation and impairment losses</b>							
Balance as at 1 January 2011		(279)	(163)	(163)	(60)	(208)	(873)
Changes in consolidation		–	–	–	1	(1)	–
Amortisation charge for the year	11	–	(59)	(110)	(24)	(36)	(229)
Impairment losses	11	–	(1)	–	–	(2)	(3)
Disposals		–	(1)	–	91	1	91
Effect of movements in exchange rates		–	3	5	(11)	3	–
Balance as at 31 December 2011		(279)	(221)	(268)	(3)	(243)	(1,014)



In millions of EUR	Note	Goodwill	Brands	Customer-related intangibles	Contract-based intangibles	Software, research and development and other	Total
Balance as at 1 January 2012		(279)	(221)	(268)	(3)	(243)	(1,014)
Changes in consolidation	6	–	–	–	–	–	–
Amortisation charge for the year	11	–	(68)	(121)	(11)	(47)	(247)
Impairment losses	11	(7)	–	–	–	–	(7)
Disposals		–	–	–	–	–	–
Transfers to assets held for sale		–	–	–	–	1	1
Effect of movements in exchange rates		(11)	–	7	(9)	10	(3)
Balance as at 31 December 2012		(297)	(289)	(382)	(23)	(279)	(1,270)
Carrying amount							
As at 1 January 2011		7,313	2,158	1,121	162	136	10,890
As at 31 December 2011		7,530	2,051	960	159	135	10,835
As at 1 January 2012		7,530	2,051	960	159	135	10,835
As at 31 December 2012		10,780	4,043	1,922	757	223	17,725

### Brands, customer-related and contract-based intangibles

The main brands capitalised are the brands acquired in 2008: Scottish & Newcastle (Fosters and Strongbow), 2010: Cervecería Cuauhtémoc Moctezuma (Dos Equis, Tecate and Sol) and 2012: Asia Pacific Breweries (Tiger, Anchor and Bintang). The main customer-related and contract-based intangibles were acquired in 2010 and 2012 and are related to customer relationships with retailers in Mexico and Asia Pacific (constituting either by way of a contractual agreement or by way of non-contractual relations) and reacquired rights.

### Impairment tests for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill in respect of Western Europe, Central and Eastern Europe (excluding Russia), the Americas (excluding Brazil) and Asia Pacific is allocated and monitored by management on a regional basis. In respect of less integrated Operating Companies such as Russia, Brazil, Africa, the Middle East and Head Office and Other, goodwill is allocated and monitored by management on an individual country basis.

The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

In millions of EUR	2012	2011
Western Europe	3,428	3,396
Central and Eastern Europe (excluding Russia)	1,445	1,394
Russia	106	102
The Americas (excluding Brazil)	1,778	1,743
Brazil	99	111
Africa and the Middle East (aggregated)	507	528
Asia Pacific	2,674	–
Head Office and Other	743	256
	10,780	7,530

Throughout the year total goodwill mainly increased due to the acquisition of APIPL/APB, BraNa and net foreign currency differences.

Goodwill is tested for impairments annually. The recoverable amounts of the CGUs are based on value-in-use calculations. Value in use was determined by discounting the future cash flows generated from the continuing use of the unit using a pre-tax discount rate.

## Notes to the consolidated financial statements continued

### 15. Intangible assets continued

The key assumptions used for the value-in-use calculations are as follows:

- Cash flows were projected based on actual operating results and the three-year business plan. Cash flows for a further seven-year period were extrapolated using expected annual per country volume growth rates, which are based on external sources. Management believes that this forecasted period is justified due to the long-term nature of the beer business and past experiences.
- The beer price growth per year after the first three-year period is assumed to be at specific per country expected annual long-term inflation, based on external sources.
- Cash flows after the first ten-year period were extrapolated using a perpetual growth rate equal to the expected annual long-term inflation, in order to calculate the terminal recoverable amount.
- A per CGU-specific pre-tax Weighted Average Cost of Capital (WACC) was applied in determining the recoverable amount of the units.

The values assigned to the key assumptions used for the value in use calculations are as follows:

	Pre-tax WACC	Expected annual long-term inflation 2016-2022	Expected volume growth rates 2016-2022
Western Europe	10.1%	2.0%	(0.4)%
Central and Eastern Europe (excluding Russia)	12.2%	2.4%	0.9%
Russia	13.8%	4.1%	1.1%
The Americas (excluding Brazil)	10.0%	3.0%	1.4%
Brazil	12.6%	4.1%	2.9%
Africa and the Middle East	13.7% – 21.9%	2.6% – 8.6%	1.5% – 7.1%
Asia Pacific	15.7%	5.3%	5.4%
Head Office and Other	10.1% – 13.2%	2.0% – 3.8%	(0.4)% – 2.4%

The values assigned to the key assumptions represent management's assessment of future trends in the beer industry and are based on both external sources and internal sources (historical data).

HEINEKEN applied its methodology to determine CGU specific WACC's to perform its annual impairment testing on a consistent basis. The trend and outcome of several WACC's, for amongst others the Western Europe CGU, turned out lower than expected based on the current economic climate and associated outlooks. HEINEKEN does not believe the risk profile in Western Europe is significantly lower than in prior years. HEINEKEN decided to adjust the risk-free rates for this observation.

#### Sensitivity to changes in assumptions

Limited headroom is available in some of our CGU's in the region Africa and Middle East, however the outcome of the sensitivity analysis of a 100 basis points adverse change in key assumptions (lower growth rates and higher discount rates respectively) would not result in a materially different outcome of the impairment test.

## 16. Investments in associates and joint ventures

HEINEKEN has the following (direct and indirect) significant investments in associates and joint ventures:

	Country	Ownership 2012	Ownership 2011
<b>Joint ventures</b>			
Brau Holding International GmbH & Co KgaA	Germany	49.9%	49.9%
Zagorka Brewery A.D.	Bulgaria	49.4%	49.4%
Pivara Skopje A.D.	FYR Macedonia	48.2%	48.2%
Brasseries du Congo S.A.	Congo	50.0%	50.0%
Compania Cervecerias Unidas S.A.	Chile	33.1%	33.1%
Tempo Beverages Ltd.	Israel	40.0%	40.0%
Heineken Lion Australia Pty.	Australia	50.0%	50.0%
Sirocco FZCo	Dubai	50.0%	50.0%
Diageo Heineken Namibia B.V.	Namibia	50.0%	50.0%
United Breweries Limited	India	37.4%	37.5%
DHN Drinks (Pty) Ltd.	South Africa	44.6%	44.5%
Sedibeng Brewery Pty Ltd.*	South Africa	75.0%	75.0%
Asia Pacific Investment Pte. Ltd.**	Singapore	–	50.0%
Asia Pacific Breweries Ltd.***	Singapore	–	41.9%
Guinness Anchor Berhad ****	Malaysia	25.2%	10.7%
Thai Asia Pacific Brewery ****	Thailand	36.4%	15.4%
<b>Associates</b>			
Cerveceria Costa Rica S.A.	Costa Rica	25.0%	25.0%
JSC FE Efes Kazakhstan**	Kazakhstan	28.0%	28.0%

\* HEINEKEN has joint control as the contract and ownership details determine that for certain main operating and financial decisions unanimous approval is required. As a result this investment is not consolidated.

\*\* This entity is classified as Held for Sale (see note 7).

\*\*\* These entities are consolidated from 15 November 2012 following the APIPL/APB acquisition.

\*\*\*\* The ownership percentages have changed following the APIPL/APB acquisition on 15 November 2012.

### Reporting date

The reporting date of the financial statements of all HEINEKEN entities and joint ventures disclosed are the same as for the Company except for:

- (i) Heineken Lion Australia Pty which has a 30 September reporting date;
- (ii) DHN Drinks (Pty) Ltd. which has a 30 June reporting date;
- (iii) United Breweries Limited which has a 31 March reporting date;
- (iv) Guinness Anchor Berhad which has a 30 June reporting date; and
- (v) Thai Asia Pacific Brewery which has a 30 September reporting date.

The results of (ii), (iii), (iv) and (v) have been adjusted to include numbers for the full financial year ended 31 December 2012.

### Share of profit of associates and joint ventures and impairments thereof

In millions of EUR	2012	2011
Income associates	34	25
Income joint ventures	179	215
Impairments	–	–
	<b>213</b>	<b>240</b>

The income associates contain a HEINEKEN's share in the write off in deferred tax assets in an associate of EUR36 million (see note 27). Included in the income joint ventures is HEINEKEN's share of the net impairment in Jiangsu Dafuhao Breweries Co. Ltd in China of EUR11 million.

# Notes to the consolidated financial statements continued

## 16. Investments in associates and joint ventures continued

### Summary financial information for equity accounted joint ventures and associates

In millions of EUR	Joint ventures 2012	Joint ventures 2011	Associates 2012	Associates 2011
Non-current assets	1,270	1,708	65	73
Current assets	683	1,005	50	52
Non-current liabilities	(512)	(581)	(18)	(25)
Current liabilities	(477)	(725)	(30)	(30)
Revenue	2,234	2,313	203	153
Expenses	(1,851)	(1,914)	(161)	(117)

In the above table HEINEKEN represents its share of the aggregated amounts of assets, liabilities, revenues and expenses for its Joint Ventures and Associates for the year ended 31 December. The revenue and expenses of Joint Ventures in 2012 contain 10.5 months of APIPL/APB and 1.5 months of Guinness Anchor Berhad and Thai Asia Pacific Brewery. Both Guinness Anchor Berhad and Thai Asia Pacific Brewery are included in the joint ventures 2012 ending balances.

## 17. Other investments and receivables

In millions of EUR	Note	2012	2011
<b>Non-current other investments</b>			
Loans and advances to customers	32	368	384
Indemnification receivable	32	136	156
Other receivables	32	148	178
Held-to-maturity investments	32	4	5
Available-for-sale investments	32	327	264
Non-current derivatives	32	116	142
		<b>1,099</b>	<b>1,129</b>
<b>Current other investments</b>			
Investments held for trading	32	11	14
		<b>11</b>	<b>14</b>

Included in loans are loans to customers with a carrying amount of EUR108 million as at 31 December 2012 (2011: EUR120 million). Effective interest rates range from 6 to 12 per cent. EUR60 million (2011: EUR72 million) matures between one and five years and EUR48 million (2011: EUR48 million) after five years.

The indemnification receivable represents the receivable on FEMSA and Lewiston investments and is a mirroring of the corresponding indemnified liabilities originating from the acquisition of the beer operations of FEMSA and Sona.

The other receivables mainly originate from the acquisition of the beer operations of FEMSA and represent a receivable on the Brazilian Authorities on which interest is calculated in accordance with Brazilian legislation. Collection of this receivable is expected to be beyond a period of five years.

The main available-for-sale investments are Caribbean Development Company Ltd., S.A. Des Brasseries du Cameroun, Consorcio Cervezero de Nicaragua S.A., Desnoes & Geddes Ltd. and Sabeco Ltd. As far as these investments are listed they are measured at their quoted market price. For others the value in use or multiples are used. Debt securities (which are interest-bearing) with a carrying amount of EUR21 million (2011: EUR20 million) are included in available-for-sale investments.

### Sensitivity analysis – equity price risk

An amount of EUR193 million as at 31 December 2012 (2011: EUR95 million) of available-for-sale investments and investments held for trading is listed on stock exchanges. An impact of 1 per cent increase or decrease in the share price at the reporting date would not result in a material impact on a consolidated Group level.

## 18. Deferred tax assets and liabilities

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

In millions of EUR	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
Property, plant & equipment	136	93	(756)	(590)	(620)	(497)
Intangible assets	75	51	(1,608)	(733)	(1,533)	(682)
Investments	134	91	(12)	(6)	122	85
Inventories	20	16	(7)	(5)	13	11
Loans and borrowings	2	3	–	–	2	3
Employee benefits	399	252	(2)	12	397	264
Provisions	125	150	(17)	1	108	151
Other items	242	146	(195)	(138)	47	8
Tax losses carry forward	238	237	–	–	238	237
<b>Tax assets/(liabilities)</b>	<b>1,371</b>	<b>1,039</b>	<b>(2,597)</b>	<b>(1,459)</b>	<b>(1,226)</b>	<b>(420)</b>
Set-off of tax	(807)	(565)	807	565	–	–
<b>Net tax assets/(liabilities)</b>	<b>564</b>	<b>474</b>	<b>(1,790)</b>	<b>(894)</b>	<b>(1,226)</b>	<b>(420)</b>

Of the total net deferred tax assets of EUR564 million at 31 December 2012 (2011: EUR474 million), EUR301 million (2011: EUR246 million) is recognised in respect of OpCos in various countries where there have been tax losses in the current or preceding period. Management's projections support the assumption that it is probable that the results of future operations will generate sufficient taxable income to utilise these deferred tax assets. The increase in deferred tax liabilities in 2012 is mainly related to the APIPL/APB acquisition.

### Tax losses carry forward

HEINEKEN has tax losses carry forward for an amount of EUR2,011 million as at 31 December 2012 (2011: EUR1,920 million), which expire in the following years:

In millions of EUR	2012	2011
2012	–	5
2013	11	6
2014	17	28
2015	32	23
2016	29	36
2017	27	–
After 2017 respectively 2016 but not unlimited	292	372
Unlimited	1,603	1,450
	<b>2,011</b>	<b>1,920</b>
Recognised as deferred tax assets gross	(989)	(859)
<b>Unrecognised</b>	<b>1,022</b>	<b>1,061</b>

The unrecognised losses relate to entities for which it is not probable that taxable profit will be available to offset these losses. The majority of the unrecognised losses were acquired as part of the beer operations of FEMSA in 2010.



# Notes to the consolidated financial statements continued

## 18. Deferred tax assets and liabilities continued

### Movement in deferred tax balances during the year

In millions of EUR	Balance 1 January 2011	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	Balance 31 December 2011
Property, plant & equipment	(464)	(41)	20	(10)	–	(2)	(497)
Intangible assets	(727)	(18)	38	25	–	–	(682)
Investments	78	–	(7)	14	–	–	85
Inventories	27	–	–	(16)	–	–	11
Loans and borrowings	(1)	–	2	2	–	–	3
Employee benefits	265	–	–	(17)	16	–	264
Provisions	134	1	–	13	–	3	151
Other items	26	–	(5)	(19)	8	(2)	8
Tax losses carry forward	213	7	(2)	19	–	–	237
<b>Net tax assets/(liabilities)</b>	<b>(449)</b>	<b>(51)</b>	<b>46</b>	<b>11</b>	<b>24</b>	<b>(1)</b>	<b>(420)</b>

In millions of EUR	Balance 1 January 2012	Changes in consolidation	Effect of movements in foreign exchange	Recognised in income	Recognised in equity	Transfers	Balance 31 December 2012
Property, plant & equipment	(497)	(66)	(5)	(54)	–	2	(620)
Intangible assets	(682)	(921)	6	59	–	5	(1,533)
Investments	85	(4)	4	37	(2)	2	122
Inventories	11	(18)	1	22	–	(3)	13
Loans and borrowings	3	–	(2)	–	–	1	2
Employee benefits	264	6	6	2	123	(4)	397
Provisions	151	(9)	3	(34)	–	(3)	108
Other items	8	9	(9)	70	(40)	9	47
Tax losses carry forward	237	1	4	6	–	(10)	238
<b>Net tax assets/(liabilities)</b>	<b>(420)</b>	<b>(1,002)</b>	<b>8</b>	<b>108</b>	<b>81</b>	<b>(1)</b>	<b>(1,226)</b>

## 19. Inventories

In millions of EUR	2012	2011
Raw materials	320	263
Work in progress	176	150
Finished products	407	354
Goods for resale	207	205
Non-returnable packaging	191	143
Other inventories and spare parts	295	237
	<b>1,596</b>	<b>1,352</b>

During 2012 and 2011 no write-down of inventories to net realisable value was required.

## 20. Trade and other receivables

In millions of EUR	Note	2012	2011
Trade receivables due from associates and joint ventures		27	42
Trade receivables		1,944	1,657
Other receivables		529	524
Derivatives		37	37
	32	<b>2,537</b>	<b>2,260</b>

A net impairment loss of EUR38 million (2011: EUR57 million) in respect of trade and other receivables was included in expenses for raw materials, consumables and services.

## 21. Cash and cash equivalents

In millions of EUR	Note	2012	2011
Cash and cash equivalents	32	1,037	813
Bank overdrafts	25	(191)	(207)
Cash and cash equivalents in the statement of cash flows		<b>846</b>	<b>606</b>

## 22. Capital and reserves

### Share issuance

On 30 April 2010 HEINEKEN issued 86,028,019 ordinary shares with a nominal value of EUR1.60, as a result of which the issued share capital consists of 576,002,613 shares. To these shares a share premium value was assigned of EUR2,701 million based on the quoted market price value of 43,009,699 shares HEINEKEN and 43,018,320 shares Heineken Holding N.V. combined being the share consideration paid to Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA) for its beer operations.

### Allotted Share Delivery Instrument

In addition to the shares issued to FEMSA, HEINEKEN also committed itself to deliver 29,172,504 additional shares to FEMSA (the 'Allotted Shares') over a period of no longer than five years. This financial instrument was classified as equity as the number of shares was fixed. HEINEKEN had the option to accelerate the delivery of the Allotted Shares at its discretion. Pending delivery of the Allotted Shares, HEINEKEN paid a coupon on each undelivered Allotted Share such that FEMSA was compensated, on an after tax basis, for dividends FEMSA would have received had all such Allotted Shares been delivered to FEMSA on or prior to the record date for such dividends.

On 3 October 2011, HEINEKEN announced that the share repurchase programme in connection with the acquisition of FEMSA had been completed. During the period of 1 January through 31 December 2011 HEINEKEN acquired 18,407,246 shares with an average quoted market price of EUR36.67. All shares were delivered in 2011.

### Share capital

In millions of EUR	2012	2011
On issue as at 1 January	922	922
Issued	–	–
On issue as at 31 December	<b>922</b>	<b>922</b>

As at 31 December 2012 the issued share capital comprised 576,002,613 ordinary shares (2011: 576,002,613). The ordinary shares have a par value of EUR1.60. All issued shares are fully paid.

# Notes to the consolidated financial statements continued

## 22. Capital and reserves continued

The Company's authorised capital amounts to EUR2.5 billion, comprising of 1,562,500,000 shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. In respect of the Company's shares that are held by HEINEKEN (see below), rights are suspended.

### Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations of the Group (excluding amounts attributable to non-controlling interests) as well as value changes of the hedging instruments in the net investment hedges. HEINEKEN considers this a legal reserve.

### Hedging reserve

This reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred. HEINEKEN considers this a legal reserve.

### Fair value reserve

This reserve comprises the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised or impaired. HEINEKEN considers this a legal reserve.

### Other legal reserves

These reserves relate to the share of profit of joint ventures and associates over the distribution of which HEINEKEN does not have control. The movement in these reserves reflects retained earnings of joint ventures and associates minus dividends received. In case of a legal or other restriction which causes that retained earnings of subsidiaries cannot be freely distributed, a legal reserve is recognised for the restricted part.

### Reserve for own shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by HEINEKEN. As at 31 December 2012, HEINEKEN held 891,561 of the Company's shares (2011: 1,265,140).

The coupon paid on the ASDI in 2011 amounts to EUR15 million.

### LTV

During the period of 1 January through 31 December 2012 HEINEKEN acquired no shares for LTV delivery.

### Dividends

The following dividends were declared and paid by HEINEKEN:

In millions of EUR	2012	2011
Final dividend previous year EUR0.53, respectively EUR0.50 per qualifying ordinary share	305	299
Interim dividend current year EUR0.33, respectively EUR0.30 per qualifying ordinary share	189	175
<b>Total dividend declared and paid</b>	<b>494</b>	<b>474</b>

The Heineken N.V. dividend policy is to pay-out a ratio of 30 per cent to 35 per cent of full-year net profit (beia). The interim dividend is fixed at 40 per cent of the total dividend of the previous year.

After the balance sheet date the Executive Board proposed the following dividends. The dividends, taking into account the interim dividends declared and paid, have not been provided for.

In millions of EUR	2012	2011
<b>per qualifying ordinary share EUR0.89 (2011: EUR0.83)</b>	<b>512</b>	<b>477</b>

### Non-controlling interests

The non-controlling interests (NCI) relate to minority stakes held by third parties in HEINEKEN consolidated subsidiaries. Due to the APIPL/APB acquisition HEINEKEN recognised additional NCI's for a total of EUR797 million. An amount of EUR645 million represents the share of third parties in subsidiaries of the APIPL/APB Group. An amount of EUR152 million represents the APB shares that HEINEKEN did not yet acquire on 15 November 2012. These shares are subject to the Mandatory General Offer. Both NCI's are valued at their share in net assets acquired. Due to purchases of APB shares between 15 November 2012 and 31 December 2012, the NCI decreased with EUR91 million and as at 31 December 2012 HEINEKEN owns 98.7 per cent of APB.

## 23. Earnings per share

### Basic earnings per share

The calculation of basic earnings per share as at 31 December 2012 is based on the profit attributable to ordinary shareholders of the Company (net profit) of EUR2,949 million (2011: EUR1,430 million) and a weighted average number of ordinary shares – basic outstanding during the year ended 31 December 2012 of 575,022,338 (2011: 585,100,381). Basic earnings per share for the year amounted to EUR5.13 (2011: EUR2.44).

### Weighted average number of shares – basic

	2012	2011
Number of shares basic 1 January	576,002,613	576,002,613
Effect of own shares held	(980,275)	(1,177,321)
Effect of undelivered ASDI shares	–	10,275,089
Effect of new shares issued	–	–
<b>Weighted number of basic shares for the year</b>	<b>575,022,338</b>	<b>585,100,381</b>

### ASDI

The Allotted Share Delivery Instrument (ASDI) represented HEINEKEN's obligation to deliver shares to FEMSA, either through issuance and/or purchasing of its own shares in the open market, which was concluded in 2011. EPS in 2011 was impacted by ASDI as in the formula calculating EPS the net profit is divided by the weighted average number of ordinary shares. In this weighted average number of ordinary shares, the weighted average of outstanding ASDI is included. This means that the ASDI has led to a lower basic EPS until all shares had been repurchased in 2011.

### Diluted earnings per share

The calculation of diluted earnings per share as at 31 December 2012 is based on the profit attributable to ordinary shareholders of the Company (net profit) of EUR2,949 million (2011: EUR1,430 million) and a weighted average number of ordinary shares – basic outstanding after adjustment for the effects of all dilutive potential ordinary shares of 576,002,613 (2011: 586,277,702). Diluted earnings per share for the year amounted to EUR5.12 (2011: EUR2.44).

### Weighted average number of shares – diluted

	2012	2011
Weighted number of basic shares for the year	575,022,338	585,100,381
Effect of own shares held	980,275	1,177,321
<b>Weighted average diluted shares for the year</b>	<b>576,002,613</b>	<b>586,277,702</b>

## Notes to the consolidated financial statements continued

### 24. Income tax on other comprehensive income

In millions of EUR	2012			2011		
	Amount before tax	Tax	Amount net of tax	Amount before tax	Tax	Amount net of tax
<b>Other comprehensive income</b>						
Foreign currency translation differences for foreign operations	67	(22)	45	(504)	11	(493)
Effective portion of changes in fair value of cash flow hedge	16	(2)	14	(31)	10	(21)
Effective portion of cash flow hedges transferred to profit or loss	57	(16)	41	(14)	3	(11)
Ineffective portion of cash flow hedges transferred to profit or loss	–	–	–	–	–	–
Net change in fair value available-for-sale investments	203	(68)	135	71	–	71
Net change in fair value available-for-sale investments transferred to profit or loss	(192)	44	(148)	(1)	–	(1)
Actuarial gains and losses	(562)	123	(439)	(109)	16	(93)
Share of other comprehensive income of associates/joint ventures	(1)	–	(1)	(5)	–	(5)
<b>Total other comprehensive income</b>	<b>(412)</b>	<b>59</b>	<b>(353)</b>	<b>(593)</b>	<b>40</b>	<b>(553)</b>

The difference between the income tax on other comprehensive income and the deferred tax reported in equity (note 18) can be explained by current tax on other comprehensive income.

### 25. Loans and borrowings

This note provides information about the contractual terms of HEINEKEN's interest-bearing loans and borrowings. For more information about HEINEKEN's exposure to interest rate risk and foreign currency risk, see note 32.

#### Non-current liabilities

In millions of EUR	Note	2012	2011
Secured bank loans		28	37
Unsecured bank loans		1,221	3,607
Unsecured bond issues		8,206	2,493
Finance lease liabilities	26	22	33
Other non-current interest-bearing liabilities		1,828	1,825
<b>Non-current interest-bearing liabilities</b>		<b>11,305</b>	<b>7,995</b>
Non-current derivatives		111	177
Non-current non-interest-bearing liabilities		21	27
		<b>11,437</b>	<b>8,199</b>

#### Current interest-bearing liabilities

In millions of EUR	Note	2012	2011
Current portion of secured bank loans		13	13
Current portion of unsecured bank loans		740	329
Current portion of unsecured bonds issues		600	–
Current portion of finance lease liabilities	26	16	6
Current portion of other non-current interest-bearing liabilities		12	184
<b>Total current portion of non-current interest-bearing liabilities</b>		<b>1,381</b>	<b>532</b>
Deposits from third parties (mainly employee loans)		482	449
		<b>1,863</b>	<b>981</b>
Bank overdrafts	21	191	207
		<b>2,054</b>	<b>1,188</b>



## Net interest-bearing debt position

In millions of EUR	Note	2012	2011
Non-current interest-bearing liabilities		11,305	7,995
Current portion of non-current interest-bearing liabilities		1,381	532
Deposits from third parties (mainly employee loans)		482	449
		<b>13,168</b>	<b>8,976</b>
Bank overdrafts	21	191	207
		<b>13,359</b>	<b>9,183</b>
Cash, cash equivalents and current other investments		(1,048)	(828)
<b>Net interest-bearing debt position</b>		<b>12,311</b>	<b>8,355</b>

## Non-current liabilities

In millions of EUR	Secured bank loans	Unsecured bank loans	Unsecured bond issues	Finance lease liabilities	Other non-current interest- bearing liabilities	Non-current derivatives	Non-current non- interest- bearing liabilities	Total
Balance as at 1 January 2012	37	3,607	2,493	33	1,825	177	27	8,199
Consolidation changes	–	11	228	1	–	–	1	241
Effect of movements in exchange rates	(1)	7	(7)	–	(21)	6	1	(15)
Transfers to current liabilities	(11)	(1,020)	(600)	(12)	–	32	–	(1,611)
Charge to/(from) equity i/r derivatives	–	–	–	–	–	(29)	–	(29)
Proceeds	6	517	6,112	–	104	–	3	6,742
Repayments	(3)	(1,895)	–	–	(62)	(68)	1	(2,027)
Other	–	(6)	(20)	–	(18)	(7)	(12)	(63)
<b>Balance as at 31 December 2012</b>	<b>28</b>	<b>1,221</b>	<b>8,206</b>	<b>22</b>	<b>1,828</b>	<b>111</b>	<b>21</b>	<b>11,437</b>

# Notes to the consolidated financial statements continued

## 25. Loans and borrowings continued

### Terms and debt repayment schedule

Terms and conditions of outstanding non-current and current loans and borrowings were as follows:

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2012	Face value 2012	Carrying amount 2011	Face value 2011
Secured bank loans	Bank facilities	GBP	1.8	2016	13	13	17	17
Secured bank loans	Various	various	various	various	28	28	33	33
Unsecured bank loans	2008 Syndicated Bank Facility	EUR	0.8	2013	198	200	1,305	1,313
Unsecured bank loans	Bank Facility	EUR	5.1	2016	207	207	329	329
Unsecured bank loans	German Schuldschein notes	EUR	1.0-6.2	2016	111	111	111	111
Unsecured bank loans	German Schuldschein notes	EUR	1.0-6.0	2013	102	102	102	102
Unsecured bank loans	German Schuldschein notes	EUR	1.0-6.0	2014	207	207	207	207
Unsecured bank loans	2008 Syndicated Bank Facility	GBP	1.2	2013	291	294	287	287
Unsecured bank loans	Bank Facilities	PLN	5.2-5.5	2013-2014	81	81	72	72
Unsecured bank loans	2011 Syndicated Bank Facility	USD	0.8	2017	–	–	450	450
Unsecured bank loans	2011 Syndicated Bank Facility	GBP	0.9	2017	196	196	422	422
Unsecured bank loans	2011 Syndicated Bank Facility	EUR	0.6	2017	180	180	107	107
Unsecured bank loans	Bank Facilities	USD	0.7	2013	30	30	93	93
Unsecured bank loans	Bank Facilities	MXN	4.9	2013	36	36	183	176
Unsecured bank loans	Bank facilities	NGN	12.5	2013-2016	276	276	228	228
Unsecured bank loans	Various	various	various	various	45	45	40	40
Unsecured bond	Issue under EMTN programme	GBP	7.3	2015	488	490	476	479
Unsecured bond	Eurobond on Luxembourg Stock Exchange	EUR	5.0	2013	600	600	599	600
Unsecured bond	Issue under EMTN programme	EUR	7.1	2014	1,001	1,000	1,000	1,000
Unsecured bond	Issue under EMTN programme	EUR	4.6	2016	398	400	398	400
Unsecured bond	Issue under EMTN programme	EUR	2.5	2019	841	850	–	–
Unsecured bond	Issue under EMTN programme	EUR	2.1	2020	995	1,000	–	–
Unsecured bond	Issue under EMTN programme	EUR	3.5	2024	496	500	–	–
Unsecured bond	Issue under EMTN programme	EUR	2.9	2025	740	750	–	–
Unsecured bond	Issue under APB MTN programme	SGD	1.0-4.0	2014-2022	220	220	–	–
Unsecured bond	Issue under 144A/RegS	USD	0.8	2015	377	379	–	–
Unsecured bond	Issue under 144A/RegS	USD	1.4	2017	941	947	–	–
Unsecured bond	Issue under 144A/RegS	USD	3.4	2022	563	568	–	–
Unsecured bond	Issue under 144A/RegS	USD	2.8	2023	753	758	–	–
Unsecured bond	Issue under 144A/RegS	USD	4.0	2042	369	379	–	–
Unsecured bond issues	n/a	various	various	various	24	24	20	20

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2012	Face value 2012	Carrying amount 2011	Face value 2011
Other interest bearing liabilities	2010 US private placement	USD	4.6	2018	548	549	559	561
Other interest bearing liabilities	2002 S&N US private placement	USD	5.6	2014	491	455	632	580
Other interest bearing liabilities	2005 S&N US private placement	USD	5.4	2015	248	227	258	232
Other interest bearing liabilities	2008 US private placement	USD	5.9-6.3	2015-2018	335	336	341	342
Other interest bearing liabilities	2011 US private placement	USD	2.8	2017	68	69	69	70
Other interest bearing liabilities	2008 US private placement	EUR	7.3	2016	31	31	30	30
Other interest bearing liabilities	various	various	various	various	120	120	120	120
Deposits from third parties	n/a	various	various	various	482	482	449	449
Finance lease liabilities	n/a	various	various	various	38	38	39	39
					<b>13,168</b>	<b>13,178</b>	<b>8,976</b>	<b>8,909</b>

As at 31 December 2012 an amount of EUR376 million was drawn on the existing revolving credit facility of EUR2 billion. This revolving credit facility matures in 2017.

### Financial structure

For the first time in the Company's 148 year history, HEINEKEN was assigned investment grade credit ratings in 2012 by the world's two leading credit agencies, Moody's Investor Service and Standard & Poor's. Both long-term credit ratings, were solid Baa1 and BBB+, respectively and both have a 'stable' outlook per the date of this Annual Report.

### New Financing

On 19 March 2012, HEINEKEN issued EUR1.35 billion of Notes under its EMTN Programme comprising EUR850 million of 7-year Notes with a coupon of 2.5 per cent and EUR500 million of 12-year Notes with a coupon of 3.5 per cent. On 3 April 2012, HEINEKEN issued USD750 million of 10-year 144A/RegS US Notes with a coupon of 3.4 per cent. On 2 August 2012, HEINEKEN issued EUR1.75 billion of Notes under its EMTN Programme, consisting of 8-year Notes for a principal amount of EUR1 billion with a coupon of 2.125 per cent and 13-year Notes for a principal amount of EUR750 million with a coupon of 2.875 per cent. On 3 October 2012, HEINEKEN successfully priced 144A/RegS US Notes for a principal amount of USD3.25 billion. This comprised USD500 million of 3-year Notes at a coupon of 0.8 per cent, USD1.25 billion of 5-year Notes at a coupon of 1.4 per cent, USD1 billion of 10.5-year Notes at a coupon of 2.75 per cent and USD500 million of 30-year Notes at a coupon of 4.0 per cent.

The proceeds of the Notes have been mainly used for the financing of the acquisition of APB and APIPL and the repayment of debt facilities. The issues have enabled HEINEKEN to further improve the currency and maturity profile of its long-term debt.

The EMTN Programme and the notes issued thereunder are listed on the Luxembourg Stock Exchange. HEINEKEN still has a capacity of EUR5 billion under this programme. HEINEKEN is in the process of updating the programme.

### Incurrence covenant

HEINEKEN has an incurrence covenant in some of its financing facilities. This incurrence covenant is calculated by dividing net debt (calculated in accordance with the consolidation method of the 2007 Annual Accounts) by EBITDA (beia) (also calculated in accordance with the consolidation method of the 2007 Annual Accounts and including the pro-forma full-year EBITDA of any acquisitions made in 2012). As at 31 December 2012 this ratio was 2.8 (2011: 2.1). If the ratio would be beyond a level of 3.5, the incurrence covenant would prevent us from conducting further significant debt financed acquisitions.

## Notes to the consolidated financial statements continued

### 26. Finance lease liabilities

Finance lease liabilities are payable as follows:

In millions of EUR	Future minimum lease payments 2012	Interest 2012	Present value of minimum lease payments 2012	Future minimum lease payments 2011	Interest 2011	Present value of minimum lease payments 2011
Less than one year	16	–	16	7	(1)	6
Between one and five years	21	(1)	20	27	(1)	26
More than five years	2	–	2	7	–	7
	<b>39</b>	<b>(1)</b>	<b>38</b>	<b>41</b>	<b>(2)</b>	<b>39</b>

### 27. Non-GAAP measures

In the internal management reports HEINEKEN measures its performance primarily based on EBIT and EBIT (beia), these are non-GAAP measures not calculated in accordance with IFRS. A similar non-GAAP adjustment can be made to the IFRS profit or loss as defined in IAS 1 paragraph 7 being the total of income less expense. Exceptional items are defined as items of income and expense of such size, nature or incidence, that in the view of management their disclosure is relevant to explain the performance of HEINEKEN for the period. The table below presents the relationship with IFRS measures, the results from operating activities and profit and HEINEKEN non-GAAP measures being EBIT, EBIT (beia) and profit (beia) for the financial year 2012.

HEINEKEN updated its non-GAAP measure definition to properly present the future impact of intangibles recognised in the APIPL/APB acquisition. Two specific types of contract based intangible assets (beer licences and reacquired rights), that are similar to brands and customer relations, were added and HEINEKEN now refers to this group as acquisition related intangible assets. The update of the definition has no impact on prior years.

In millions of EUR	2012*	2011*
Results from operating activities	<b>3,691</b>	2,215
Share of profit of associates and joint ventures and impairments thereof (net of income tax)	213	240
HEINEKEN EBIT	<b>3,904</b>	2,455
Exceptional items and amortisation of acquisition related intangible assets included in EBIT	(992)	242
HEINEKEN EBIT (beia)	<b>2,912</b>	2,697
Profit attributable to equity holders of the Company	<b>2,949</b>	1,430
Exceptional items and amortisation of acquisition related intangible assets included in EBIT	(992)	242
Exceptional items included in finance costs	(206)	(14)
Exceptional items included in tax expense	(55)	(74)
HEINEKEN net profit beia	<b>1,696</b>	1,584

\* unaudited

The 2012 exceptional items included in EBIT contain the amortisation of acquisition related intangibles for EUR198 million (2011: EUR170 million). Additional exceptional items included in EBIT relating to the APIPL/APB acquisition are the gain on PHEI for EUR1,486 million, the reversal of the inventory fair value adjustment in cost of goods sold for EUR76 million and acquisition related costs of EUR28 million. The remainder of EUR192 million primarily relates to restructuring activities in wholesale in Western Europe for EUR97 million, impairment of assets for EUR37 million, HEINEKEN's share in the write-off of deferred tax assets in an associate for EUR36 million and adjustments to an acquisition of EUR20 million outside the provisional period.

Exceptional items in other net financing costs contain a pre-tax gain of EUR175 million for the sale of a minority stake in a brewery in the Dominican Republic, a book gain of the existing stake in BraNa of EUR20 million and fair value changes of interest rate swaps of Scottish & Newcastle for EUR11 million that do not qualify for hedge accounting.

The exceptional items in the tax expense are EUR53 million (2011: EUR47 million) related to acquisition related intangibles and the remainder of EUR2 million represents the net impact of other exceptional items included in EBIT and finance cost.

EBIT and EBIT (beia) are not financial measures calculated in accordance with IFRS. The presentation on these financial measures may not be comparable to similarly titled measures reported by other companies due to differences in the ways the measures are calculated.

## 28. Employee benefits

In millions of EUR	2012	2011
Present value of unfunded obligations	113	96
Present value of funded obligations	7,788	6,804
Total present value of obligations	7,901	6,900
Fair value of defined benefit plan assets	(6,401)	(5,860)
Present value of net obligations	1,500	1,040
Asset ceiling items	1	14
Recognised liability for defined benefit obligations	1,501	1,054
Other long-term employee benefits	131	120
	1,632	1,174

### Defined benefit plan assets comprise:

In millions of EUR	2012	2011
Equity securities	2,867	2,520
Government bonds	2,726	2,534
Properties and real estate	429	410
Other plan assets	379	396
	6,401	5,860

The primary goal of the Heineken pension funds is to monitor the mix of debt and equity securities in its investment portfolio based on market expectations. Material investments within the portfolio are managed on an individual basis.

### Liability for defined benefit obligations

HEINEKEN makes contributions to a number of defined benefit plans that provide pension benefits for employees upon retirement in a number of countries being mainly the Netherlands and the UK (82 per cent of the total DBO). Other countries with a defined benefit plan are: Ireland, Greece, Austria, Italy, France, Spain, Mexico, Belgium, Switzerland, Portugal and Nigeria. In other countries the pension plans are defined contribution plans and/or similar arrangements for employees.

In Ireland the defined benefit scheme for employees (actives) was closed in 2012 and was replaced by a defined contribution scheme.

Other long-term employee benefits mainly relate to long-term bonus plans, termination benefits, medical plans and jubilee benefits.

# Notes to the consolidated financial statements continued

## 28. Employee benefits continued

### Movements in the present value of the defined benefit obligations

In millions of EUR	2012	2011
Defined benefit obligations as at 1 January	6,900	6,643
Changes in consolidation and reclassification	(1)	–
Effect of movements in exchange rates	99	75
Benefits paid	(326)	(307)
Employee contributions	26	24
Current and past service costs and interest on obligation	391	406
Effect of any curtailment or settlement	(41)	(35)
Actuarial (gains)/losses in other comprehensive income	853	94
Defined benefit obligations as at 31 December	7,901	6,900

### Movements in the present value of defined benefit plan assets

In millions of EUR	2012	2011
Fair value of defined benefit plan assets as at 1 January	5,860	5,646
Changes in consolidation and reclassification	(1)	–
Effect of movements in exchange rates	73	76
Contributions paid into the plan	182	145
Benefits paid	(326)	(307)
Expected return on defined benefit plan assets	322	315
Actuarial gains/(losses) in other comprehensive income	291	(15)
Fair value of defined benefit plan assets as at 31 December	6,401	5,860
Actual return on defined benefit plan assets	610	307

### Expense recognised in profit or loss

In millions of EUR	Note	2012	2011
Current service costs		63	71
Interest on obligation		330	340
Expected return on defined benefit plan assets		(322)	(315)
Past service costs		(2)	(5)
Effect of any curtailment or settlement		(41)	(35)
	10	28	56

### Actuarial gains and losses recognised in other comprehensive income

In millions of EUR	2012	2011
Amount accumulated in retained earnings at 1 January	519	410
Recognised during the year	562	109
Amount accumulated in retained earnings at 31 December	1,081	519



### Principal actuarial assumptions as at the balance sheet date

The defined benefit plans in the Netherlands and the UK cover 87.4 per cent of the present value of the defined benefit plan assets (2011: 87.2 per cent), 82.2 per cent of the present value of the defined benefit obligations (2011: 82.8 per cent) and 60.1 per cent of the present value of net obligations (2011: 57.8 per cent) as at 31 December 2012.

For the Netherlands and the UK the following actuarial assumptions apply as at 31 December:

	The Netherlands		UK*	
	2012	2011	2012	2011
Discount rate as at 31 December	3.0	4.6	4.4	4.7
Expected return on defined benefit plan assets as at 1 January	5.5	5.5	6.1	6.2
Future salary increases	2.0	3.0	–	–
Future pension increases	1.0	1.0	2.9	3.0
Medical cost trend rate	–	–	–	–

\* The UK plan closed for future accruals leading to certain assumptions being equal to zero.

For the other defined benefit plans the following actuarial assumptions apply at 31 December:

	Other Western, Central and Eastern Europe		The Americas		Africa and the Middle East	
	2012	2011	2012	2011	2012	2011
Discount rate as at 31 December	2.0-3.2	2.9-4.8	6.7	7.6-10.7	14.0	13.0
Expected return on defined benefit plan assets as at 1 January	2.4-4.9	3.3-7.3	6.7	7.6	–	–
Future salary increases	1.0-10.0	1.0-10.0	3.8	3.8	10.8	12.0
Future pension increases	1.0-2.5	1.0-2.1	2.8	2.9	–	–
Medical cost trend rate	3.4-4.5	3.5	5.1	5.1	10.0	–

Assumptions regarding future mortality rates are based on published statistics and mortality tables. For the Netherlands the rates are obtained from the 'AG-Prognosetafel 2012-2062', fully generational. Correction factors from TowersWatson are applied on these. For the UK the rates are obtained from the Continuous Mortality Investigation 2012 projection model.

The overall expected long-term rate of return on assets is 5.6 per cent (2011: 5.5 per cent), which is based on the asset mix and the expected rate of return on each major asset class, as managed by the pension funds.

Assumed healthcare cost trend rates have no effect on the amounts recognised in profit or loss. A one percentage point change in assumed healthcare cost trend rates would not have any effect on profit or loss neither on the statement of financial position as at 31 December 2012.

Based on the tri-annual review finalised in early 2010, HEINEKEN has agreed a 12-year plan aiming to fund the recovery of the Scottish & Newcastle Pension Plan through additional Company contributions. These could total GBP504 million of which GBP65 million has been paid to December 2012. As at 31 December 2012 the IAS 19 present value of the net obligations of the Scottish & Newcastle Pension Plan represents a GBP331 million (EUR405 million) deficit. No additional liability has to be recognised as the net present value of the minimum funding requirement does not exceed the net obligation. The next review of the funding position and the recovery plan commenced in October 2012 and is expected to be finalised during 2013.

The Group expects the 2013 contributions to be paid for the defined benefit plan to be in line with 2012.

# Notes to the consolidated financial statements continued

## 28. Employee benefits continued

### Historical information

In millions of EUR	2012	2011	2010	2009	2008
Present value of the defined benefit obligation	7,901	6,900	6,643	5,936	4,963
Fair value of defined benefit plan assets	(6,401)	(5,860)	(5,646)	(4,858)	(4,231)
Deficit in the plan	1,500	1,040	997	1,078	732
Experience adjustments arising on plan liabilities, losses/(gains)	(170)	(30)	(24)	(116)	71
Experience adjustments arising on defined benefit plan assets, (losses)/gains	291	(15)	320	313	(817)

## 29. Share-based payments – Long-Term Variable Award

As from 1 January 2005 HEINEKEN established a performance-based share plan (Long-Term Variable award; LTV) for the Executive Board. As from 1 January 2006 a similar plan was established for senior management. Under this LTV share rights are awarded to incumbents on an annual basis. The vesting of these rights is subject to the performance of Heineken N.V. on specific performance conditions over a three year period.

The performance conditions for LTV 2010-2012, LTV 2011-2013 and LTV 2012-2014 are the same for the Executive Board and senior management and comprise solely of internal financial measures, being Organic Gross Profit beia growth, Organic EBIT beia growth, Earnings Per Share (EPS) beia growth and Free Operating Cash Flow.

At target performance, 100 per cent of the awarded share rights vest. At threshold performance, 50 per cent of the awarded share rights vest. As from LTV 2011-2013 at maximum performance 200 per cent of the awarded share rights vest for the Executive Board as well as senior managers contracted by the US, Mexico and Brazil, and 175 per cent vest for all other senior managers. For LTV 2010-2012 the maximum vesting is 150 per cent of target vesting for all participants.

The performance period for share rights granted in 2010 was from 1 January 2010 to 31 December 2012. The performance period for share rights granted in 2011 is from 1 January 2011 to 31 December 2013. The performance period for the share rights granted in 2012 is from 1 January 2012 to 31 December 2014. The vesting date for the Executive Board is within five business days, and for senior management the latest of 1 April and 20 business days after the publication of the annual results of 2012, 2013 and 2014 respectively.

As HEINEKEN will withhold the tax related to vesting on behalf of the individual employees, the number of Heineken N.V. shares to be received by the Executive Board and senior management will be a net number.

The terms and conditions of the share rights granted are as follows:

Grant date/employees entitled	Number*	Based on share price	Vesting conditions	Contractual life of rights
Share rights granted to Executive Board in 2010	55,229	33.27	Continued service, 100% internal performance conditions	3 years
Share rights granted to senior management in 2010	516,765	33.27	Continued service, 100% internal performance conditions	3 years
Share rights granted to Executive Board in 2011	65,072	36.69	Continued service, 100% internal performance conditions	3 years
Share rights granted to senior management in 2011	730,090	36.69	Continued service, 100% internal performance conditions	3 years
Share rights granted to Executive Board in 2012	66,746	35.77	Continued service, 100% internal performance conditions	3 years
Share rights granted to senior management in 2012	703,382	35.77	Continued service, 100% internal performance conditions	3 years

\* The number of shares is based on target performance.

No vesting occurred under the 2009-2011 LTV of the Executive Board. A total of 615,967 (gross) shares vested under the 2009-2011 LTV of senior management.

Based on internal performance, it is expected that approximately 328,346 shares of the 2010-2012 LTV will vest in 2013 for senior management and Executive Board.

The number – as corrected for the expected performance for the various awards – and weighted average share price per share under the LTV of senior management and Executive Board are as follows:

	Weighted average share price 2012	Number of share rights 2012	Weighted average share price 2011	Number of share rights 2011
Outstanding as at 1 January	29.14	1,546,514	30.11	1,575,880
Granted during the year	35.77	770,128	36.69	795,162
Forfeited during the year	35.44	(99,391)	31.73	(119,856)
Vested during the year	21.90	(615,967)	44.22	(234,485)
Performance adjustment	–	(243,458)	–	(470,187)
Outstanding as at 31 December	35.42	1,357,826	29.14	1,546,514

Under the extraordinary share plans 16,700 shares were granted and 2,192 (gross) shares vested. These extraordinary grants only have a service condition and vest between 1 and 5 years. The expenses relating to these expected additional grants are recognised in profit or loss during the vesting period. Expenses recognised in 2012 are EUR1.1 million (2011: EUR0.4 million).

### Personnel expenses

In millions of EUR	Note	2012	2011
Share rights granted in 2009		–	5
Share rights granted in 2010		5	1
Share rights granted in 2011		2	5
Share rights granted in 2012		5	–
Total expense recognised as personnel expenses	10	12	11

# Notes to the consolidated financial statements continued

## 30. Provisions

In millions of EUR	Note	Restructuring	Onerous contracts	Other	Total
Balance as at 1 January 2012		151	42	396	589
Changes in consolidation	6	1	–	2	3
Provisions made during the year		50	6	70	126
Provisions used during the year		(57)	(10)	(29)	(96)
Provisions reversed during the year		(11)	(4)	(58)	(73)
Effect of movements in exchange rates		–	1	(16)	(15)
Unwinding of discounts		4	–	9	13
Balance as at 31 December 2012		138	35	374	547
Non-current		86	24	308	418
Current		52	11	66	129
		138	35	374	547

### Restructuring

The provision for restructuring of EUR138 million mainly relates to restructuring programmes in Spain, the Netherlands and Italy.

### Other provisions

Included are, amongst others, surety and guarantees provided EUR23 million (2011: EUR27 million) and litigation and claims EUR202 million (2011: EUR207 million).

## 31. Trade and other payables

In millions of EUR	Note	2012	2011
Trade payables		2,244	2,009
Returnable packaging deposits		512	490
Taxation and social security contributions		751	665
Dividend		47	33
Interest		204	100
Derivatives		53	164
Other payables		299	243
Accruals and deferred income		1,163	920
	32	5,273	4,624

## 32. Financial risk management and financial instruments

### Overview

HEINEKEN has exposure to the following risks from its use of financial instruments, as they arise in the normal course of HEINEKEN's business:

- Credit risk
- Liquidity risk
- Market risk.

This note presents information about HEINEKEN's exposure to each of the above risks, and it summarises HEINEKEN's policies and processes that are in place for measuring and managing risk, including those related to capital management. Further quantitative disclosures are included throughout these consolidated financial statements.

### Risk management framework

The Executive Board, under the supervision of the Supervisory Board, has overall responsibility and sets rules for HEINEKEN's risk management and control systems. They are reviewed regularly to reflect changes in market conditions and the Group's activities. The Executive Board oversees the adequacy and functioning of the entire system of risk management and internal control, assisted by Group departments.

The Global Treasury function focuses primarily on the management of financial risk and financial resources. Some of the risk management strategies include the use of derivatives, primarily in the form of spot and forward exchange contracts and interest rate swaps, but options can be used as well. It is the Group policy that no speculative transactions are entered into.

### Credit risk

Credit risk is the risk of financial loss to HEINEKEN if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from HEINEKEN's receivables from customers and investment securities.

The economic crisis has impacted our regular business activities and performance, in particular in consumer spending and solvency. However, the business impact differed across the regions and operations. Local management has assessed the risk exposure following Group instructions and is taking action to mitigate the higher than usual risks. Intensified and continuous focus is being given in the areas of customers (managing trade receivables and loans) and suppliers (financial position of critical suppliers).

As at the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial instrument, including derivative financial instruments, in the consolidated statement of financial position.

### Loans to customers

HEINEKEN's exposure to credit risk is mainly influenced by the individual characteristics of each customer. HEINEKEN's held-to-maturity investments includes loans to customers, issued based on a loan contract. Loans to customers are ideally secured by, amongst others, rights on property or intangible assets, such as the right to take possession of the premises of the customer. Interest rates calculated by HEINEKEN are at least based on the risk-free rate plus a margin, which takes into account the risk profile of the customer and value of security given.

HEINEKEN establishes an allowance for impairment of loans that represents its estimate of incurred losses. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar customers in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics.

In a few countries the issuance of new loans is outsourced to third parties. In most cases, HEINEKEN issues sureties (guarantees) to the third party for the risk of default by the customer.

## 32. Financial risk management and financial instruments continued

### Trade and other receivables

HEINEKEN's local management has credit policies in place and the exposure to credit risk is monitored on an ongoing basis. Under the credit policies all customers requiring credit over a certain amount are reviewed and new customers are analysed individually for creditworthiness before HEINEKEN's standard payment and delivery terms and conditions are offered. HEINEKEN's review includes external ratings, where available, and in some cases bank references. Purchase limits are established for each customer and these limits are reviewed regularly. As a result of the deteriorating economic circumstances since 2008, certain purchase limits have been redefined. Customers that fail to meet HEINEKEN's benchmark creditworthiness may transact with HEINEKEN only on a prepayment basis.

In monitoring customer credit risk, customers are, on a country base, grouped according to their credit characteristics, including whether they are an individual or legal entity, which type of distribution channel they represent, geographic location, industry, ageing profile, maturity and existence of previous financial difficulties. Customers that are graded as 'high risk' are placed on a restricted customer list, and future sales are made on a prepayment basis only with approval of Management.

HEINEKEN has multiple distribution models to deliver goods to end customers. Deliveries are done in some countries via own wholesalers, in other markets directly and in some others via third parties. As such distribution models are country specific and on consolidated level diverse, as such the results and the balance sheet items cannot be split between types of customers on a consolidated basis. The various distribution models are also not centrally managed or monitored.

HEINEKEN establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The components of this allowance are a specific loss component and a collective loss component.

### Advances to customers

Advances to customers relate to an upfront cash-discount to customers. The advances are amortised over the term of the contract as a reduction of revenue.

In monitoring customer credit risk, refer to the paragraph above relating to trade and other receivables.

### Investments

HEINEKEN limits its exposure to credit risk by only investing available cash balances in liquid securities and only with counterparties that have a credit rating of at least single A or equivalent for short-term transactions and AA- for long-term transactions. HEINEKEN actively monitors these credit ratings.

### Guarantees

HEINEKEN's policy is to avoid issuing guarantees where possible unless this leads to substantial benefits for the Group. In cases where HEINEKEN does provide guarantees, such as to banks for loans (to third parties), HEINEKEN aims to receive security from the third party.

Heineken N.V. has issued a joint and several liability statement to the provisions of Section 403, Part 9, Book 2 of the Dutch Civil Code with respect to legal entities established in the Netherlands.



### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

In millions of EUR	Note	2012	2011
Loans and advances to customers	17	368	384
Indemnification receivable	17	136	156
Other long-term receivables	17	148	178
Held-to-maturity investments	17	4	5
Available-for-sale investments	17	327	264
Non-current derivatives	17	116	142
Investments held for trading	17	11	14
Trade and other receivables, excluding current derivatives	20	2,500	2,223
Current derivatives	20	37	37
Cash and cash equivalents	21	1,037	813
		<b>4,684</b>	<b>4,216</b>

The maximum exposure to credit risk for trade and other receivables (excluding derivatives) at the reporting date by geographic region was:

In millions of EUR	2012	2011
Western Europe	978	1,038
Central and Eastern Europe	502	448
The Americas	225	405
Africa and the Middle East	448	166
Asia Pacific	214	19
Head Office/eliminations	133	147
	<b>2,500</b>	<b>2,223</b>

### Impairment losses

The ageing of trade and other receivables (excluding derivatives) at the reporting date was:

In millions of EUR	Gross 2012	Impairment 2012	Gross 2011	Impairment 2011
Not past due	2,052	(49)	1,909	(67)
Past due 0 – 30 days	323	(14)	233	(17)
Past due 31 – 120 days	213	(67)	210	(83)
More than 120 days	373	(331)	349	(311)
	<b>2,961</b>	<b>(461)</b>	<b>2,701</b>	<b>(478)</b>

# Notes to the consolidated financial statements continued

## 32. Financial risk management and financial instruments continued

The movement in the allowance for impairment in respect of trade and other receivables (excluding derivatives) during the year was as follows:

In millions of EUR	2012	2011
Balance as at 1 January	478	446
Changes in consolidation	1	–
Impairment loss recognised	104	104
Allowance used	(60)	(17)
Allowance released	(66)	(47)
Effect of movements in exchange rates	4	(8)
Balance as at 31 December	461	478

The movement in the allowance for impairment in respect of loans during the year was as follows:

In millions of EUR	2012	2011
Balance as at 1 January	170	171
Changes in consolidation	–	–
Impairment loss recognised	38	10
Allowance used	–	(3)
Allowance released	(53)	(9)
Effect of movements in exchange rates	3	1
Balance as at 31 December	158	170

Impairment losses recognised for trade and other receivables (excluding derivatives) and loans are part of the other non-cash items in the consolidated statement of cash flows.

The income statement impact of EUR15 million (2011: EUR1 million) in respect of loans and the income statement impact of EUR38 million (2011: EUR57 million) in respect of trade receivables (excluding derivatives) were included in expenses for raw materials, consumables and services.

The allowance accounts in respect of trade and other receivables and held-to-maturity investments are used to record impairment losses, unless HEINEKEN is satisfied that no recovery of the amount owing is possible, at that point the amount considered irrecoverable is written off against the financial asset.

### Liquidity risk

Liquidity risk is the risk that HEINEKEN will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. HEINEKEN's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to HEINEKEN's reputation.

Recent times have proven the credit markets situation could be such that it is difficult to generate capital to finance long-term growth of the Company. Although currently the situation is more stable, the Company has a clear focus on ensuring sufficient access to capital markets to finance long-term growth and to refinance maturing debt obligations. Financing strategies are under continuous evaluation. In addition, the Company focuses on a further fine-tuning of the maturity profile of its long-term debts with its forecasted operating cash flows. Strong cost and cash management and controls over investment proposals are in place to ensure effective and efficient allocation of financial resources.

### Contractual maturities

The following are the contractual maturities of non-derivative financial liabilities and derivative financial assets and liabilities, including interest payments and excluding the impact of netting agreements:

In millions of EUR	2012					
	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>Financial liabilities</b>						
Interest-bearing liabilities	(13,360)	(15,900)	(2,683)	(2,277)	(4,192)	(6,748)
Non-interest-bearing liabilities	(21)	(47)	(8)	(22)	(13)	(4)
Trade and other payables, excluding interest dividends and derivatives	(4,969)	(4,969)	(4,969)	–	–	–
<b>Derivative financial assets and (liabilities)</b>						
Interest rate swaps used for hedge accounting, net	12	46	33	(114)	85	42
Forward exchange contracts used for hedge accounting, net	10	7	4	3	–	–
Commodity derivatives used for hedge accounting, net	(22)	(21)	(20)	(1)	–	–
Derivatives not used for hedge accounting, net	(11)	(17)	(16)	(1)	–	–
	<b>(18,361)</b>	<b>(20,901)</b>	<b>(7,659)</b>	<b>(2,412)</b>	<b>(4,120)</b>	<b>(6,710)</b>

The total carrying amount and contractual cash flows of derivatives are included in trade and other receivables (note 20), other investments (note 17) and trade and other payables (note 31) and non-current non-interest bearing liabilities (note 25).

In millions of EUR	2011					
	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>Financial liabilities</b>						
Interest-bearing liabilities	(9,183)	(10,287)	(1,543)	(2,864)	(4,794)	(1,086)
Non-interest-bearing liabilities	(27)	(20)	7	(16)	(5)	(6)
Trade and other payables, excluding interest, dividends and derivatives	(4,327)	(4,327)	(4,327)	–	–	–
<b>Derivative financial assets and (liabilities)</b>						
Interest rate swaps used for hedge accounting, net	12	9	(42)	26	(42)	67
Forward exchange contracts used for hedge accounting, net	(46)	(43)	(35)	(8)	–	–
Commodity derivatives used for hedge accounting, net	(26)	(26)	(22)	(4)	–	–
Derivatives not used for hedge accounting, net	(102)	(97)	(86)	(10)	(1)	–
	<b>(13,699)</b>	<b>(14,791)</b>	<b>(6,048)</b>	<b>(2,876)</b>	<b>(4,842)</b>	<b>(1,025)</b>

The total carrying amount and contractual cash flows of derivatives are included in trade and other receivables (note 20), other investments (note 17), trade and other payables (note 31) and non-current non-interest-bearing liabilities (note 25).

### 32. Financial risk management and financial instruments continued

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect HEINEKEN's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

HEINEKEN uses derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. Generally, HEINEKEN seeks to apply hedge accounting or make use of natural hedges in order to minimise the effects of foreign currency fluctuations in profit or loss.

Derivatives that can be used are interest rate swaps, forward rate agreements, caps and floors, commodity swaps, spot and forward exchange contracts and options. Transactions are entered into with a limited number of counterparties with strong credit ratings. Foreign currency, interest rate and commodity hedging operations are governed by internal policies and rules approved and monitored by the Executive Board.

#### Foreign currency risk

HEINEKEN is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of HEINEKEN entities. The main currencies that give rise to this risk are the US dollar, euro and British pound.

In managing foreign currency risk, HEINEKEN aims to reduce the impact of short-term fluctuations on earnings. Over the longer term, however, permanent changes in foreign exchange rates would have an impact on profit.

HEINEKEN hedges up to 90 per cent of its mainly intra-HEINEKEN US dollar cash flows on the basis of rolling cash flow forecasts in respect to forecasted sales and purchases. Cash flows in other foreign currencies are also hedged on the basis of rolling cash flow forecasts. HEINEKEN mainly uses forward exchange contracts to hedge its foreign currency risk. The majority of the forward exchange contracts have maturities of less than one year after the balance sheet date.

The Company has a clear policy on hedging transactional exchange risks, which postpones the impact on financial results. Translation exchange risks are hedged to a limited extent, as the underlying currency positions are generally considered to be long-term in nature. The result of the net investment hedging is recognised in the translation reserve as can be seen in the consolidated statement of comprehensive income.

It is HEINEKEN's policy to provide intra-HEINEKEN financing in the functional currency of subsidiaries where possible to prevent foreign currency exposure on subsidiary level. The resulting exposure at Group level is hedged by means of forward exchange contracts. Intra-HEINEKEN financing in foreign currencies is mainly in British pounds, US dollars, Swiss franc and Polish zloty. In some cases HEINEKEN elects to treat intra-HEINEKEN financing with a permanent character as equity and does not hedge the foreign currency exposure.

The principal amounts of HEINEKEN's British pound, Nigerian naira, Singapore dollar, Polish zloty and Mexican peso bank loans and bond issues are used to hedge local operations, which generate cash flows that have the same respective functional currencies. Corresponding interest on these borrowings is also denominated in currencies that match the cash flows generated by the underlying operations of HEINEKEN. This provides an economic hedge without derivatives being entered into.

In respect of other monetary assets and liabilities denominated in currencies other than the functional currencies of the Company and the various foreign operations, HEINEKEN ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

### Exposure to foreign currency risk

HEINEKEN's transactional exposure to the British pound, US dollar and euro was as follows based on notional amounts. The euro column relates to transactional exposure to the euro within subsidiaries which are reporting in other currencies.

In millions	2012			2011		
	EUR	GBP	USD	EUR	GBP	USD
<b>Financial Assets</b>						
Trade and other receivables	12	–	10	14	1	12
Cash and cash equivalents	72	–	92	52	60	21
Intragroup assets	10	455	4,788	4	455	1,384
<b>Financial Liabilities</b>						
Interest bearing borrowings	(6)	(858)	(6,285)	(50)	(1,050)	(3,082)
Non-interest-bearing liabilities	(1)	–	(61)	–	–	(75)
Trade and other payables	(74)	–	(33)	(61)	–	(34)
Intragroup liabilities	(298)	–	(715)	(314)	–	(502)
<b>Gross balance sheet exposure</b>	<b>(285)</b>	<b>(403)</b>	<b>(2,204)</b>	<b>(355)</b>	<b>(534)</b>	<b>(2,276)</b>
Estimated forecast sales next year	71	10	1,476	119	16	1,041
Estimated forecast purchases next year	(780)	(1)	(1,360)	(442)	–	(723)
<b>Gross exposure</b>	<b>(994)</b>	<b>(394)</b>	<b>(2,088)</b>	<b>(678)</b>	<b>(518)</b>	<b>(1,958)</b>
Net notional amount forward exchange contracts	(507)	483	1,216	(851)	535	1,161
<b>Net exposure</b>	<b>(1,501)</b>	<b>89</b>	<b>(872)</b>	<b>(1,529)</b>	<b>17</b>	<b>(797)</b>
<b>Sensitivity analysis</b>						
Equity	11	7	36	15	–	14
Profit or loss	–	(1)	(3)	–	–	–

Included in the US dollar amounts are intra-HEINEKEN cash flows. Within the net notional amount forward exchange contracts, the cross-currency interest rate swaps of HEINEKEN UK form the largest component.

### Sensitivity analysis

A 10 per cent strengthening of the euro against the British pound and US dollar or, in case of the euro, a strengthening of the euro against all other currencies as at 31 December would have increased (decreased) equity and profit by the amounts shown above. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2011.

A 10 per cent weakening of the euro against the British pound and US dollar or, in case of the euro, a weakening of the euro against all other currencies as at 31 December would have had the equal but opposite effect on the basis that all other variables remain constant.

### Interest rate risk

In managing interest rate risk, HEINEKEN aims to reduce the impact of short-term fluctuations on earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit.

HEINEKEN opts for a mix of fixed and variable interest rates in its financing operations, combined with the use of interest rate instruments. Currently HEINEKEN's interest rate position is more weighted towards fixed rather than floating. Interest rate instruments that can be used are interest rate swaps, forward rate agreements, caps and floors.

Swap maturity follows the maturity of the related loans and borrowings which have swap rates for the fixed leg ranging from 1.0 to 8.1 per cent (2011: from 1.0 to 8.1 per cent).

# Notes to the consolidated financial statements continued

## 32. Financial risk management and financial instruments continued

### Interest rate risk – Profile

At the reporting date the interest rate profile of HEINEKEN's interest-bearing financial instruments was as follows:

In millions of EUR	2012	2011
<b>Fixed rate instruments</b>		
Financial assets	97	95
Financial liabilities	(11,133)	(5,253)
Interest rate swaps floating to fixed	(9)	(1,051)
	<b>(11,045)</b>	<b>(6,209)</b>
<b>Variable rate instruments</b>		
Financial assets	1,430	431
Financial liabilities	(2,054)	(3,177)
Interest rate swaps fixed to floating	9	1,051
	<b>(615)</b>	<b>(1,695)</b>

### Fair value sensitivity analysis for fixed rate instruments

During 2012, HEINEKEN opted to apply fair value hedge accounting on certain fixed rate financial liabilities. The fair value movements on these instruments are recognised in profit or loss. The change in fair value on these instruments was EUR(30) million in 2012 (2011: EUR(30) million), which was offset by the change in fair value of the hedge accounting instruments, which was EUR18 million (2011: EUR36 million).

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below (after tax).

In millions of EUR	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 December 2012</b>				
Instruments designated at fair value	11	(11)	20	(20)
Interest rate swaps	(6)	6	(9)	9
Fair value sensitivity (net)	<b>5</b>	<b>(5)</b>	<b>11</b>	<b>(11)</b>
<b>31 December 2011</b>				
Instruments designated at fair value	29	(29)	29	(29)
Interest rate swaps	(20)	21	(2)	2
Fair value sensitivity (net)	<b>9</b>	<b>(8)</b>	<b>27</b>	<b>(27)</b>

As part of the acquisition of Scottish & Newcastle in 2008, HEINEKEN took over a portfolio of euro floating-to-fixed interest rate swaps of which currently EUR400 million is still outstanding. Although interest rate risk is hedged economically, it is not possible to apply hedge accounting on this portfolio.

A movement in interest rates will therefore lead to a fair value movement in the profit or loss under the other net financing income/(expenses).

Any related non-cash income or expenses in our profit or loss are expected to reverse over time.



### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates constantly applied during the reporting period would have increased (decreased) equity and profit or loss by the amounts shown below (after tax). This analysis assumes that all other variables, in particular foreign currency rates, remain constant and excludes any possible change in fair value of derivatives at period-end because of a change in interest rates. The analysis is performed on the same basis as for 2011.

In millions of EUR	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 December 2012</b>				
Variable rate instruments	(4)	4	(4)	4
Net interest rate swaps fixed to floating	–	–	–	–
<b>Cash flow sensitivity (net)</b>	<b>(4)</b>	<b>4</b>	<b>(4)</b>	<b>4</b>
<b>31 December 2011</b>				
Variable rate instruments	(20)	20	(20)	20
Net interest rate swaps fixed to floating	8	(8)	8	(8)
<b>Cash flow sensitivity (net)</b>	<b>(12)</b>	<b>12</b>	<b>(12)</b>	<b>12</b>

### Commodity price risk

Commodity price risk is the risk that changes in commodity prices will affect HEINEKEN's income. The objective of commodity price risk management is to manage and control commodity risk exposures within acceptable parameters, whilst optimising the return on risk. The main commodity exposure relates to the purchase of cans, glass bottles, malt and utilities. Commodity price risk is in principle addressed by negotiating fixed prices in supplier contracts with various contract durations. So far, commodity hedging with financial counterparties by the Company is limited to the incidental sale of surplus CO<sub>2</sub> emission rights, aluminium hedging and, to a limited extent, gas hedging, which are done in accordance with risk policies. HEINEKEN does not enter into commodity contracts other than to meet HEINEKEN's expected usage and sale requirements. As at 31 December 2012, the market value of commodity swaps was EUR(22) million (2011: EUR(25) million).

### Cash flow hedges

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges, are expected to occur.

In millions of EUR	2012					
	Carrying amount	Expected cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
<b>Interest rate swaps:</b>						
Assets	96	1,752	85	82	696	889
Liabilities	(26)	(1,632)	(89)	(79)	(617)	(847)
<b>Forward exchange contracts:</b>						
Assets	28	1,296	1,150	146	–	–
Liabilities	(16)	(1,288)	(1,145)	(143)	–	–
<b>Commodity derivatives:</b>						
Assets	1	1	1	–	–	–
Liabilities	(23)	(23)	(22)	(1)	–	–
	<b>60</b>	<b>106</b>	<b>(20)</b>	<b>5</b>	<b>79</b>	<b>42</b>

The periods in which the cash flows associated with forward exchange contracts that are cash flow hedges are expected to impact profit or loss is on average two months earlier than the occurrence of the cash flows as in the above table.

# Notes to the consolidated financial statements continued

## 32. Financial risk management and financial instruments continued

In millions of EUR	2011					
	Carrying amount	Expected cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Interest rate swaps:						
Assets	170	1,904	120	107	726	951
Liabilities	(48)	(1,786)	(136)	(108)	(658)	(884)
Forward exchange contracts:						
Assets	15	1,078	871	207	–	–
Liabilities	(49)	(1,111)	(896)	(215)	–	–
Commodity derivatives:						
Assets	11	11	11	–	–	–
Liabilities	(36)	(36)	(32)	(4)	–	–
	63	60	(62)	(13)	68	67

### Fair value hedges/net investment hedges

The following table indicates the periods in which the cash flows associated with derivatives that are fair value hedges or net investment hedges are expected to occur.

In millions of EUR	2012					
	Carrying amount	Expected cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Interest rate swaps:						
Assets	19	780	48	492	240	–
Liabilities	(77)	(849)	(6)	(609)	(234)	–
Forward exchange contracts:						
Assets	–	181	181	–	–	–
Liabilities	(2)	(183)	(183)	–	–	–
	(60)	(71)	40	(117)	6	–

In millions of EUR	2011					
	Carrying amount	Expected cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Interest rate swaps:						
Assets	27	967	171	49	747	–
Liabilities	(136)	(1,059)	(180)	(22)	(857)	–
Forward exchange contracts:						
Assets	–	177	177	–	–	–
Liabilities	(12)	(187)	(187)	–	–	–
	(121)	(102)	(19)	27	(110)	–

### Capital management

There were no major changes in HEINEKEN's approach to capital management during the year. The Executive Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of business and acquisitions. Capital is herein defined as equity attributable to equity holders of the Company (total equity minus non-controlling interests).

HEINEKEN is not subject to externally imposed capital requirements other than the legal reserves explained in note 22. Shares are purchased to meet the requirements under the Long and Short-Term Incentive Plan and the extraordinary share plan as further explained in note 29.

### Fair values

The fair values of financial assets and liabilities that differ from the carrying amounts shown in the statement of financial position are as follows:

In millions of EUR	Carrying amount 2012	Fair value 2012	Carrying amount 2011	Fair value 2011
Bank loans	(2,002)	(2,002)	(3,986)	(4,017)
Unsecured bond issues	(8,806)	(9,126)	(2,493)	(2,727)
Finance lease liabilities	(38)	(38)	(39)	(39)
Other interest-bearing liabilities	(1,840)	(1,840)	(2,009)	(2,039)

### Basis for determining fair values

The significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above are discussed in note 4.

### Fair value hierarchy

IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

31 December 2012	Level 1	Level 2	Level 3
Available-for-sale investments	193	–	134
Non-current derivative assets	–	116	–
Current derivative assets	–	37	–
Investments held for trading	11	–	–
	<b>204</b>	<b>153</b>	<b>134</b>
Non-current derivative liabilities	–	111	–
Current derivative liabilities	–	53	–
	<b>–</b>	<b>164</b>	<b>–</b>
31 December 2011	Level 1	Level 2	Level 3
Available-for-sale investments	81	–	183
Non-current derivative assets	–	142	–
Current derivative assets	–	37	–
Investments held for trading	14	–	–
	<b>95</b>	<b>179</b>	<b>183</b>
Non-current derivative liabilities	–	177	–
Current derivative liabilities	–	164	–
	<b>–</b>	<b>341</b>	<b>–</b>

## Notes to the consolidated financial statements continued

### 32. Financial risk management and financial instruments continued

In millions of EUR	2012	2011
Available-for-sale investments based on level 3		
Balance as at 1 January	183	120
Fair value adjustments recognised in other comprehensive income	1	61
Disposals	(50)	–
Transfers	–	2
Balance as at 31 December	134	183

### 33. Off-balance sheet commitments

In millions of EUR	Total 2012	Less than 1 year	1-5 years	More than 5 years	Total 2011
Lease & operational lease commitments	618	143	302	173	503
Property, plant & equipment ordered	136	133	3	–	50
Raw materials purchase contracts	3,806	1,416	2,227	163	3,843
Other off-balance sheet obligations	2,139	400	1,129	610	2,589
Off-balance sheet obligations	6,699	2,092	3,661	946	6,985
Undrawn committed bank facilities	1,832	121	1,711	–	1,274

HEINEKEN leases buildings, cars and equipment in the ordinary course of business.

Raw material contracts include long-term purchase contracts with suppliers in which prices are fixed or will be agreed based upon predefined price formulas. These contracts mainly relate to malt, bottles and cans.

During the year ended 31 December 2012 EUR265 million (2011: EUR241 million) was recognised as an expense in profit or loss in respect of operating leases and rent.

Other off-balance sheet obligations mainly include distribution, rental, service and sponsorship contracts.

Committed bank facilities are credit facilities on which a commitment fee is paid as compensation for the bank's requirement to reserve capital. For the details of these committed bank facilities see note 25. The bank is legally obliged to provide the facility under the terms and conditions of the agreement.

### 34. Contingencies

#### Netherlands

On 19 December 2012 the European Court of Justice in Luxembourg confirmed the fine imposed on HEINEKEN for their participation in a cartel on the Dutch market from 1996 to 1999. This judgement is not subject to appeal. The fine was paid in 2007 and was treated as an expense in the 2007 Annual Report.

#### Brazil

As part of the acquisition of the beer operations of FEMSA, HEINEKEN also inherited existing legal proceedings with labour unions, tax authorities and other parties of its, now wholly-owned, subsidiaries Cervejarias Kaiser and Cervejarias Kaiser Nordeste (jointly, Heineken Brasil). The proceedings have arisen in the ordinary course of business and are common in the current economic and legal environment of Brazil. The proceedings have partly been provided for, see note 30. The contingent amount being claimed against Heineken Brasil resulting from such proceedings as at 31 December 2012 is EUR663 million. Such contingencies were classified by legal counsel as less than probable but more than remote of being settled against Heineken Brasil. However, HEINEKEN believes that the ultimate resolution of such legal proceedings will not have a material adverse effect on its consolidated financial position or result of operations. HEINEKEN does not expect any significant liability to arise from these contingencies. A significant part of the aforementioned contingencies (EUR367 million) are tax related and qualify for indemnification by FEMSA, see note 17.

As is customary in Brazil, Heineken Brasil has been requested by the tax authorities to collateralise tax contingencies currently in litigation amounting to EUR292 million by either pledging fixed assets or entering into available lines of credit which cover such contingencies.

#### Guarantees

In millions of EUR	Total 2012	Less than 1 year	1-5 years	More than 5 years	Total 2011
Guarantees to banks for loans (to third parties)	300	194	95	11	339
Other guarantees	358	63	5	290	372
<b>Guarantees</b>	<b>658</b>	<b>257</b>	<b>100</b>	<b>301</b>	<b>711</b>

Guarantees to banks for loans relate to loans to customers, which are given to external parties in the ordinary course of business of HEINEKEN. HEINEKEN provides guarantees to the banks to cover the risk related to these loans.

## Notes to the consolidated financial statements continued

### 35. Related parties

#### Identification of related parties

HEINEKEN has a related party relationship with its associates and joint ventures (refer to note 16), Heineken Holding N.V., Heineken pension funds (refer to note 28), Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA), employees (refer to note 25) and with its key management personnel (Executive Board and the Supervisory Board). For our shareholder structure reference is made to the section 'Shareholder Information'.

#### Key management remuneration

In millions of EUR	2012	2011
Executive Board	6.8	7.5
Supervisory Board	0.9	0.9
<b>Total</b>	<b>7.7</b>	<b>8.4</b>

#### Executive Board

The remuneration of the members of the Executive Board comprises of a fixed component and a variable component. The variable component is made up of a Short-Term Variable pay and a Long-Term Variable award. The Short-Term Variable pay is based on financial and operational measures and on individual leadership measures as set by the Supervisory Board. It is partly paid out in shares that are blocked for a period of five calendar years. After the five calendar years HEINEKEN will match the blocked shares 1:1 which we refer to as the matching share entitlement. For the Long-Term Variable award see note 29. The separate remuneration report is stated on page 60-66.

As at 31 December 2012, J.F.M.L. van Boxmeer held 48,641 Company shares and D.R. Hooft Graafland 25,109. (2011: J.F.M.L. van Boxmeer 25,369 and D.R. Hooft Graafland 14,818 shares). D.R. Hooft Graafland held 3,052 shares of Heineken Holding N.V. as at 31 December 2012 (2011: 3,052 shares).

#### Executive Board

In thousands of EUR	Fixed Salary		Short-Term Variable Pay		Matching Share Entitlement**		Long-Term Variable award*		Pension Plan		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011*
J.F.M.L. van Boxmeer	1,050	1,050	1,361	1,764	681	882	912	669	496	590	4,500	4,955
D.R. Hooft Graafland	650	650	602	780	301	390	477	355	318	399	2,348	2,574
<b>Total</b>	<b>1,700</b>	<b>1,700</b>	<b>1,963</b>	<b>2,544</b>	<b>982</b>	<b>1,272</b>	<b>1,389</b>	<b>1,024</b>	<b>814</b>	<b>989</b>	<b>6,848</b>	<b>7,529</b>

\* The remuneration reported as part of LTV is based on IFRS accounting policies and does not reflect the value of vested performance shares.

\*\* The matching share entitlement for 2011 is based on 2011 performance. The matching share entitlement for 2012 is based on 2012 performance. The matching share entitlement vests immediately and as such EUR1.0 million was recognised in the 2012 income statement.

The Dutch government has introduced a one-off additional tax levy of 16 per cent over 2012 taxable income, as a liability for the employer. This tax levy related to remuneration over 2012 for the Executive Board is EUR 754 (in thousands) and is not included in the table above.



## Supervisory Board

The individual members of the Supervisory Board received the following remuneration:

In thousands of EUR	2012	2011
C.J.A. van Lede	160	160
J.A. Fernández Carbajal	85	85
M. Das	85	85
M.R. de Carvalho	135	135
J.M. Hessels*	23	75
J.M. de Jong	80	80
A.M. Fentener van Vlissingen	80	80
M.E. Minnick	70	70
V.C.O.B.J. Navarre	75	75
J.G. Astaburuaga Sanjinés	75	75
G.J. Wijers**	52	–
<b>Total</b>	<b>920</b>	<b>920</b>

\* Stepped down as at 19 April 2012.

\*\* Appointed as at 19 April 2012.

In the Annual General Meeting of Shareholders held on 21 April 2011 it was resolved to increase the remuneration of our Supervisory Board. The fees initially established on 1 January 2006 were updated as per 1 January 2011 to reflect the increased size and global footprint of HEINEKEN and also to align to the market practice in Europe (excluding UK).

M.R. de Carvalho held 8 shares of Heineken N.V. as at 31 December 2012 (2011: 8 shares). As at 31 December 2012 and 2011, the Supervisory Board members did not hold any of the Company's bonds or option rights. C.J.A. van Lede held 2,656 and M.R. de Carvalho held 8 ordinary shares of Heineken Holding N.V. as at 31 December 2012 (2011: C.J.A. van Lede 2,656 and M.R. de Carvalho 8 ordinary shares).

## Other related party transactions

In millions of EUR	Transaction value		Balance outstanding as at 31 December	
	2012	2011	2012	2011
<b>Sale of products, services and royalties</b>				
To associates and joint ventures	107	98	31	35
To FEMSA	649	572	114	77
	<b>756</b>	<b>670</b>	<b>145</b>	<b>112</b>
<b>Raw materials, consumables and services</b>				
Goods for resale – joint ventures	–	2	–	–
Other expenses – joint ventures	–	–	–	–
Other expenses FEMSA	175	128	27	13
	<b>175</b>	<b>130</b>	<b>27</b>	<b>13</b>

# Notes to the consolidated financial statements continued

## 35. Related parties continued

### Heineken Holding N.V.

In 2012, an amount of EUR694,065 (2011: EUR586,942) was paid to Heineken Holding N.V. for management services for the HEINEKEN Group.

This payment is based on an agreement of 1977 as amended in 2001, providing that Heineken N.V. reimburses Heineken Holding N.V. for its costs. Best practice provision III.6.4 of the Dutch Corporate Governance Code of 10 December 2008 has been observed in this regard.

### FEMSA

As consideration for HEINEKEN's acquisition of the beer operations of Fomento Económico Mexicano, S.A.B. de C.V. (FEMSA), FEMSA, became a major shareholder of Heineken N.V. Therefore, several existing contracts between FEMSA and former FEMSA-owned companies acquired by HEINEKEN have become related-party contracts. The total revenue amount related to these related-party relationships amounts to EUR649 million.

## 36. HEINEKEN entities

### Control of HEINEKEN

The shares and options of the Company are traded on Euronext Amsterdam, where the Company is included in the main AEX index. Heineken Holding N.V. Amsterdam has an interest of 50.005 per cent in the issued capital of the Company. The financial statements of the Company are included in the consolidated financial statements of Heineken Holding N.V.

A declaration of joint and several liability pursuant to the provisions of Section 403, Part 9, Book 2, of the Dutch Civil Code has been issued with respect to legal entities established in the Netherlands marked with a ■ below.

### Significant subsidiaries

	Country of incorporation	Ownership interest	
		2012	2011
■ Heineken Nederlands Beheer B.V.	The Netherlands	100%	100%
■ Heineken Brouwerijen B.V.	The Netherlands	100%	100%
■ Heineken CEE Investments B.V.	The Netherlands	100%	100%
■ Heineken Nederland B.V.	The Netherlands	100%	100%
■ Heineken International B.V.	The Netherlands	100%	100%
■ Heineken Supply Chain B.V.	The Netherlands	100%	100%
■ Heineken Global Procurement B.V.	The Netherlands	100%	100%
■ Amstel Brouwerij B.V.	The Netherlands	100%	100%
■ Amstel Internationaal B.V.	The Netherlands	100%	100%
■ Vrumona B.V.	The Netherlands	100%	100%
■ Invebra Holland B.V.	The Netherlands	100%	100%
■ B.V. Beleggingsmaatschappij Limba	The Netherlands	100%	100%
■ Brand Bierbrouwerij B.V.	The Netherlands	100%	100%
■ Heineken CEE Holdings B.V.	The Netherlands	100%	100%
■ Brasinvest B.V.	The Netherlands	100%	100%
■ Heineken Beer Systems B.V.	The Netherlands	100%	100%
■ Heineken Asia Pacific B.V.	The Netherlands	100%	–
■ Central Europe Beverages B.V.	The Netherlands	100%	72%
Mouterij Albert N.V.	Belgium	100%	100%
Ibecor S.A.	Belgium	100%	100%
N.V. Brouwerijen Alken-Maes Brasseries S.A.	Belgium	99.9%	99.9%
Heineken France S.A.S.	France	100%	100%
Oy Hartwall Ab.	Finland	100%	100%
Heineken Ireland Ltd. <sup>1</sup>	Ireland	100%	100%
Heineken Italia S.p.A.	Italy	100%	100%
Sociedade Central de Cervejas et Bebidas S.A.	Portugal	98.7%	98.7%

	Country of incorporation	Ownership interest	
		2012	2011
Heineken España S.A.	Spain	98.7%	98.7%
Heineken Switzerland AG	Switzerland	100%	100%
Heineken UK Ltd.	United Kingdom	100%	100%
Brau Union AG	Austria	100%	100%
Brau Union Österreich AG	Austria	100%	100%
FCJSC Heineken Breweries	Belarus	100%	100%
OJSC, Rechitsapivo	Belarus	96.4%	96.2%
Karlovačka Pivovara d.o.o.	Croatia	100%	100%
Heineken Česká republika a.s.	Czech Republic	100%	100%
Athenian Brewery S.A.	Greece	98.8%	98.8%
Heineken Hungária Sörgyárak Zrt.	Hungary	100%	100%
Grupa Żywiec S.A.	Poland	61.9%	61.9%
Heineken Romania S.A.	Romania	98.4%	98.4%
LLC Heineken Breweries	Russia	100%	100%
United Serbian Breweries EUC LLC	Serbia	100%	72%
United Serbian Breweries Zajecarsko JSC	Serbia	73%	52.5%
Heineken Slovensko a.s.	Slovakia	100%	100%
Commonwealth Brewery Ltd.	Bahamas	75%	75%
Cervejarias Kaiser Brasil S.A.	Brazil	100%	100%
Brasserie Nationale d' Haiti	Haiti	94.8%	22.5%
Brasserie Lorraine S.A.	Martinique	100%	100%
Cuauhtémoc Moctezuma Holding, S.A. de C.V.	Mexico	100%	100%
Fabricas Monterrey, S.A. de C.V.	Mexico	100%	100%
Silices de Veracruz, S.A. de C.V.	Mexico	100%	100%
Cervecerias Baru-Panama S.A.	Panama	74.9%	74.9%
Windward & Leeward Brewery Ltd.	St Lucia	72.7%	72.7%
Surinaamse Brouwerij N.V.	Surinam	76.2%	76.2%
Heineken USA Inc.	United States	100%	100%
Tango s.a.r.l.	Algeria	100%	100%
Brasseries et Limonaderies du Burundi 'Brarudi' S.A.	Burundi	59.3%	59.3%
Brasseries, Limonaderies et Malteries 'Bralima' S.A.R.L.	D.R. Congo	95.0%	95.0%
Al Ahram Beverages Company S.A.E.	Egypt	99.9%	99.9%
Bedele Brewery	Ethiopia	100%	100%
Harar Brewery	Ethiopia	100%	100%
Brasserie Almaza S.A.L.	Lebanon	67.0%	67.0%
Nigerian Breweries Plc.	Nigeria	54.1%	54.1%
Consolidated Breweries Ltd.	Nigeria	53.6%	50.5%
Brasseries de Bourbon S.A.	Réunion	85.7%	85.7%
Brasseries et Limonaderies du Rwanda 'Bralirwa' S.A.	Rwanda	75.0%	75.0%
Sierra Leone Brewery Ltd.	Sierra Leone	83.1%	83.1%
Société Nouvelle des Boissons Gazeuses S.A. ('SNBG')	Tunisia	74.5%	74.5%
Société Nouvelle de Brasserie S.A. 'Sonobra'	Tunisia	49.9%	49.9%
Cambodia Brewery Ltd.	Cambodia	79.0%	33.5%
Shanghai Asia Pacific Brewery Co. Ltd.	China	99.3%	46.0%
Hainan Asia Pacific Brewery Co. Ltd.	China	99.3%	46.0%
Guangzhou Asia Pacific Brewery Co. Ltd	China	99.3%	46.0%
PT Multi Bintang Indonesia Tbk.	Indonesia	86.4%	40.6%
Lao Asia Pacific Breweries Ltd.	Laos	67.1%	28.5%
MCS Asia Pacific Brewery LLC.	Mongolia	54.3%	23.1%

# Notes to the consolidated financial statements continued

## 36. HEINEKEN entities continued

	Country of incorporation	Ownership interest	
		2012	2011
Grande Brasserie de Nouvelle – Calédonie S.A.	New Calédonia	86.3%	36.6%
DB Breweries Ltd.	New Zealand	98.7%	41.9%
DB South Island Brewery Ltd.	New Zealand	54.3%	23.1%
South Pacific Brewery Ltd.	Papua New Guinea	75.4%	31.8%
Asia Pacific Investments Pte. Ltd.	Singapore	100%	50%
Asia Pacific Breweries Ltd.	Singapore	98.7%	41.9%
Asia Pacific Breweries (Singapore) Pte. Ltd.	Singapore	98.7%	41.9%
Solomon Breweries Ltd.	Solomon Islands	96.4%	40.9%
Asia Pacific Breweries (Lanka) Ltd.	Sri Lanka	59.2%	25.2%
Vietnam Brewery Ltd.	Vietnam	59.2%	25.2%
Asia Pacific Breweries (Hanoi) Ltd.	Vietnam	98.7%	41.9%
VBL Da Nang Co. Ltd.	Vietnam	59.2%	25.2%
VBL Tien Giang Ltd.	Vietnam	59.2%	25.2%
VBL Quang Nam Ltd	Vietnam	47.4%	20.1%

<sup>1</sup> In accordance with Article 17 of the Republic of Ireland Companies (Amendment) Act 1986, the Company issued an irrevocable guarantee for the year ended 31 December 2012 and 2011 regarding the liabilities of Heineken Ireland Ltd., Heineken Ireland Sales Ltd., West Cork Bottling Ltd., Western Beverages Ltd., Beamish and Crawford Ltd. and Nash Beverages Ltd as referred to in Article 5(l) of the Republic of Ireland Companies (Amendment) Act 1986.

## 37. Subsequent events

### Share of stake in Kazakhstan

On 21 December 2012 HEINEKEN announced its intentions to sell its 28 per cent stake in Efes Kazakhstan JSC FE to majority shareholders Efes Breweries International NV. The transaction closed on 8 January 2013 and resulted in an estimated post tax book gain of EUR80 million.

### Sale of Jiangsu Dafuhao Breweries Co. Ltd

On 9 January 2013 HEINEKEN's Asian subsidiary that holds a 49 per cent stake in Jiangsu Dafuhao Breweries Co. Ltd entered into a conditional share transfer agreement whereby Nantong Fuhao Alcohol Co. Ltd. will purchase HEINEKEN's shareholding interests for USD24.5 million. The transaction closed on 15 January 2013 when the funds were received in full.

### Sale of Pago International GmbH

On 17 December 2012 HEINEKEN announced the sale of its wholly-owned subsidiary Pago International GmbH to Eckes-Granini Group. The transaction is expected to close in the first quarter of 2013.

### Mandatory unconditional cash offer (Offer for APB shares)

On 17 January 2013 HEINEKEN announced that the final closing date of its Offer for all of the issued and paid-up ordinary APB shares other than those already owned or controlled by HEINEKEN is 31 January 2013.

On 16 January 2013 the required acceptance level of 90 per cent of the APB shares in the open market was reached. As such, HEINEKEN was entitled to exercise its right of compulsory acquisition of the remaining APB shares. The total cash consideration in relation to the acquisition of the remaining shares after 31 December 2012 amounts to approximately EUR146 million.

### Strategic review of Hartwall in Finland

On 4 February 2013 HEINEKEN announced that it had started a strategic review of its Hartwall business in Finland. During this review, HEINEKEN evaluates strategic options for Hartwall to drive continued growth for the business, within or outside of HEINEKEN. The strategic review is expected to be finalised before the end of the year.

# Heineken N.V. Balance Sheet

## Before appropriation of profit

As at 31 December

In millions of EUR	Note	2012	2011
<b>Fixed assets</b>			
Financial fixed assets			
Investments in participating interests	38	22,461	16,233
Other investments		219	247
Deferred tax assets		87	28
<b>Total financial fixed assets</b>		<b>22,767</b>	<b>16,508</b>
Trade and other receivables		34	2
Cash and cash equivalents		2	–
<b>Total current assets</b>		<b>36</b>	<b>2</b>
<b>Total assets</b>		<b>22,803</b>	<b>16,510</b>
<b>Shareholders' equity</b>			
Issued capital		922	922
Share Premium		2,701	2,701
Translation reserve		(527)	(575)
Hedging reserve		(11)	(69)
Fair value reserve		150	159
Other legal reserves		779	1,026
Reserve for own shares		(26)	(43)
Retained earnings		4,754	4,223
Net profit		2,949	1,430
<b>Total shareholders' equity</b>	39	<b>11,691</b>	<b>9,774</b>
<b>Liabilities</b>			
Loans and borrowings	40	9,692	6,553
Deferred tax liability		–	–
<b>Total non-current liabilities</b>		<b>9,692</b>	<b>6,553</b>
Loans and borrowings (current part)		1,195	50
Trade and other payables		206	110
Tax payable		19	23
<b>Total current liabilities</b>		<b>1,420</b>	<b>183</b>
<b>Total liabilities</b>		<b>11,112</b>	<b>6,736</b>
<b>Total shareholders' equity and liabilities</b>		<b>22,803</b>	<b>16,510</b>

# Heineken N.V. Income Statement

For the year ended 31 December

In millions of EUR	Note	2012	2011
Share of profit of participating interests, after income tax		3,015	1,613
Other profit after income tax		(66)	(183)
<b>Net profit</b>	39	<b>2,949</b>	<b>1,430</b>

# Notes to the Heineken N.V. Financial Statements

## Reporting entity

The financial statements of Heineken N.V. (the 'Company') are included in the consolidated statements of Heineken N.V.

## Basis of preparation

The Company financial statements have been prepared in accordance with the provisions of Part 9, Book 2, of the Dutch Civil Code. The Company uses the option of Article 362.8 of Part 9, Book 2, of the Dutch Civil Code to prepare the Company financial statements, using the same accounting policies as in the consolidated financial statements. Valuation is based on recognition and measurement requirements of accounting standards adopted by the EU (i.e., only IFRS that is adopted for use in the EU at the date of authorisation) as explained further in the notes to the consolidated financial statements. The Company presents a condensed income statement, using the facility of Article 402 of Part 9, Book 2, of the Dutch Civil Code.

## Significant accounting policies

### Financial fixed assets

Participating interests (subsidiaries, joint ventures and associates) are measured on the basis of the equity method.

### Shareholders' equity

The translation reserve and other legal reserves were previously formed under and still recognised in accordance with the Dutch Civil Code.

### Profit of participating interests

The share of profit of participating interests consists of the share of the Company in the results of these participating interests. Results on transactions, where the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are not recognised.

## 38. Investments in participating interests

In millions of EUR	Participating interests	Loans to participating interest	Total
<b>Balance as at 1 January 2011</b>	<b>10,326</b>	<b>5,520</b>	<b>15,846</b>
Profit of participating interests	1,613	–	1,613
Dividend payments by participating interests	(216)	216	–
Effect of movements in exchange rates	(475)	–	(475)
Changes in hedging and fair value adjustments	13	–	13
Actuarial gains/(losses)	(93)	–	(93)
Acquisition of non-controlling interests without a change in control	12	–	12
Investments/(repayments)	76	(759)	(683)
<b>Balance as at 31 December 2011</b>	<b>11,256</b>	<b>4,977</b>	<b>16,233</b>
<b>Balance as at 1 January 2012</b>	<b>11,256</b>	<b>4,977</b>	<b>16,233</b>
Profit of participating interests	3,015	–	3,015
Dividend payments by participating interests	(397)	397	–
Effect of movements in exchange rates	71	–	71
Changes in hedging and fair value adjustments	40	–	40
Actuarial gains/(losses)	(438)	–	(438)
Acquisition of non-controlling interests without a change in control	(212)	–	(212)
Investments/(repayments)	–	3,746	3,746
Other movements	6	–	6
<b>Balance as at 31 December 2012</b>	<b>13,341</b>	<b>9,120</b>	<b>22,461</b>



### 39. Shareholders' equity

In millions of EUR	Share capital	Share Premium	Translation reserve	Hedging reserve	Fair value reserve
Balance as at 1 January 2011	922	2,701	(93)	(27)	90
Other comprehensive income	–	–	(482)	(42)	69
Profit	–	–	–	–	–
<b>Total comprehensive income</b>	–	–	(482)	(42)	69
Transfer to retained earnings	–	–	–	–	–
Dividends to shareholders	–	–	–	–	–
Shares issued	–	–	–	–	–
Purchase/reissuance own shares	–	–	–	–	–
ASDI	–	–	–	–	–
Own shares granted	–	–	–	–	–
Share-based payments	–	–	–	–	–
Share purchase mandate	–	–	–	–	–
Acquisition of non-controlling interests without a change in control	–	–	–	–	–
Disposal of interests without a change in control	–	–	–	–	–
<b>Balance as at 31 December 2011</b>	<b>922</b>	<b>2,701</b>	<b>(575)</b>	<b>(69)</b>	<b>159</b>
Balance as at 1 January 2012	922	2,701	(575)	(69)	159
Other comprehensive income	–	–	48	58	(9)
Profit	–	–	–	–	–
<b>Total comprehensive income</b>	–	–	<b>48</b>	<b>58</b>	<b>(9)</b>
Transfer to retained earnings	–	–	–	–	–
Dividends to shareholders	–	–	–	–	–
Shares issued	–	–	–	–	–
Purchase/reissuance own shares	–	–	–	–	–
ASDI	–	–	–	–	–
Own shares granted	–	–	–	–	–
Share-based payments	–	–	–	–	–
Share purchase mandate	–	–	–	–	–
Acquisition of non-controlling interests with a change in control	–	–	–	–	–
Acquisition of non-controlling interests without a change in control	–	–	–	–	–
Disposal of interests without a change in control	–	–	–	–	–
<b>Balance as at 31 December 2012</b>	<b>922</b>	<b>2,701</b>	<b>(527)</b>	<b>(11)</b>	<b>150</b>

# Notes to the Heineken N.V. financial statements continued

## 39. Shareholders' equity continued

In millions of EUR	Other legal reserve	Reserve for own shares	ASDI	Retained earnings	Net profit	Shareholders' equity
Balance as at 1 January 2011	899	(55)	666	3,382	1,447	9,932
Other comprehensive income	–	–	–	(91)	–	(546)
Profit	253	–	–	(253)	1,430	1,430
<b>Total comprehensive income</b>	<b>253</b>	<b>–</b>	<b>–</b>	<b>(344)</b>	<b>1,430</b>	<b>884</b>
Transfer to retained earnings	(126)	–	–	1,573	(1,447)	–
Dividends to shareholders	–	–	–	(474)	–	(474)
Shares issued	–	–	–	–	–	–
Purchase/reissuance own shares	–	(687)	–	–	–	(687)
ASDI	–	694	(666)	(28)	–	–
Own shares granted	–	5	–	(5)	–	–
Share-based payments	–	–	–	11	–	11
Share purchase mandate	–	–	–	96	–	96
Acquisition of non-controlling interests without a change in control	–	–	–	(21)	–	(21)
Disposal of interests without a change in control	–	–	–	33	–	33
<b>Balance as at 31 December 2011</b>	<b>1,026</b>	<b>(43)</b>	<b>–</b>	<b>4,223</b>	<b>1,430</b>	<b>9,774</b>
Balance as at 1 January 2012	1,026	(43)	–	4,223	1,430	9,774
Other comprehensive income	4	–	–	(442)	–	(341)
Profit	222	–	–	(222)	2,949	2,949
<b>Total comprehensive income</b>	<b>226</b>	<b>–</b>	<b>–</b>	<b>(664)</b>	<b>2,949</b>	<b>2,608</b>
Transfer to retained earnings	(473)	–	–	1,903	(1,430)	–
Dividends to shareholders	–	–	–	(494)	–	(494)
Shares issued	–	–	–	–	–	–
Purchase/reissuance own shares	–	–	–	–	–	–
ASDI	–	–	–	–	–	–
Own shares granted	–	17	–	(17)	–	–
Share-based payments	–	–	–	15	–	15
Share purchase mandate	–	–	–	–	–	–
Disposal of interests without a change in control	–	–	–	–	–	–
Acquisition of non-controlling interests without a change in control	–	–	–	(212)	–	(212)
Disposal of interest without a change in control	–	–	–	–	–	–
<b>Balance as at 31 December 2012</b>	<b>779</b>	<b>(26)</b>	<b>–</b>	<b>4,754</b>	<b>2,949</b>	<b>11,691</b>

For more details on reserves, please see note 22 of the consolidated financial statements.

For more details on LTV, please see note 29 of the consolidated financial statements.

## 40. Loans and borrowings

### Non-current liabilities

In millions of EUR	2012	2011
Unsecured bank loans	687	2,991
Unsecured bond issues	7,962	2,473
Other	1,021	1,048
<b>Non-current interest-bearing liabilities</b>	<b>9,670</b>	<b>6,512</b>
Non-current non-interest-bearing liabilities	–	–
Non-current derivatives	22	41
	<b>9,692</b>	<b>6,553</b>

### Non-current liabilities

In millions of EUR	Unsecured bank loans	Unsecured bond issues	Other non-current interest- bearing liabilities	Non-current derivatives	Non-current non-interest bearing liabilities	Total
Balance as at 1 January 2012	2,991	2,473	1,048	41	–	6,553
Charge from/to equity i/r derivatives	–	–	–	(22)	–	(22)
Effects of movements of exchange rates	(4)	1	(1)	–	–	(4)
Proceeds	379	6,108	(4)	–	–	6,483
Repayments	(1,556)	–	(6)	–	–	(1,562)
Transfers (to)/from current	(1,118)	(587)	–	(3)	–	(1,708)
Other	(5)	(33)	(16)	6	–	(48)
<b>Balance as at 31 December 2012</b>	<b>687</b>	<b>7,962</b>	<b>1,021</b>	<b>22</b>	<b>–</b>	<b>9,692</b>

# Notes to the Heineken N.V. financial statements continued

## 40. Loans and borrowings continued

### Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2012	Face value 2012	Carrying amount 2011	Face value 2011
Unsecured bank loans	German Schuld- schein notes	EUR	1.0 – 6.0	2013	102	102	102	102
Unsecured bank loans	German Schuld- schein notes	EUR	1.0 – 6.2	2016	111	111	111	111
Unsecured bank loans	2008 Syndicated Bank Facility	EUR	0.8	2013	198	200	1,305	1,313
Unsecured bank loans	German Schuld- schein notes	EUR	1.0 – 6.0	2014	207	207	207	207
Unsecured bank loans	2008 Syndicated Bank Facility	GBP	1.2	2013	291	294	287	287
Unsecured bank loans	2011 Syndicated Bank Facility	USD	0.8	2017	–	–	450	450
Unsecured bank loans	2011 Syndicated Bank Facility	GBP	0.9	2017	196	196	422	422
Unsecured bank loans	2011 Syndicated Bank Facility	EUR	0.6	2017	180	180	107	107
Unsecured bond	Issue under EMTN programme	GBP	7.3	2015	488	490	476	479
Unsecured bond	Eurobond on Luxembourg Stock Exchange	EUR	5.0	2013	600	600	599	600
Unsecured bond	Issue under EMTN programme	EUR	7.1	2014	1,001	1,000	1,000	1,000
Unsecured bond	Issue under EMTN programme	EUR	4.6	2016	398	400	398	400
Unsecured bond	Issue under EMTN programme	EUR	2.5	2019	841	850	–	–
Unsecured bond	Issue under EMTN programme	EUR	2.1	2020	995	1,000	–	–
Unsecured bond	Issue under EMTN programme	EUR	3.5	2024	496	500	–	–
Unsecured bond	Issue under EMTN programme	EUR	2.9	2025	740	750	–	–
Unsecured bond	Issue under 144A/RegS	USD	0.8	2015	377	379	–	–
Unsecured bond	Issue under 144A/RegS	USD	1.4	2017	941	947	–	–
Unsecured bond	Issue under 144A/RegS	USD	3.4	2022	563	568	–	–
Unsecured bond	Issue under 144A/RegS	USD	2.8	2023	753	758	–	–
Unsecured bond	Issue under 144A/RegS	USD	4.0	2042	369	379	–	–

In millions of EUR	Category	Currency	Nominal interest rate %	Repayment	Carrying amount 2012	Face value 2012	Carrying amount 2011	Face value 2011
Other interest-bearing liabilities	2010 US private placement	USD	4.6	2018	548	549	559	561
Other interest-bearing liabilities	2008 US private placement	USD	5.9-6.3	2015-2018	335	336	341	342
Other interest-bearing liabilities	2011 US private placement	USD	2.8	2017	68	69	69	70
Other interest-bearing liabilities	2008 US private placement	EUR	7.3	2016	31	31	–	–
Other interest-bearing liabilities	various	various	various	various	36	36	79	78
					<b>10,865</b>	<b>10,932</b>	<b>6,512</b>	<b>6,529</b>

For financial risk management and financial instruments, see note 32.

#### 41. Audit fees

Other expenses in the consolidated financial statements include EUR14.5 million of fees in 2012 (2011: EUR13.5 million) for services provided by KPMG Accountants N.V. and its member firms and/or affiliates. Fees for audit services include the audit of the financial statements of HEINEKEN and its subsidiaries. Fees for other audit services include sustainability, subsidy and other audits. Fees for tax services include tax compliance and tax advice. Fees for other non-audit services include due diligence related to mergers and acquisitions, review of interim financial statements, agreed upon procedures and advisory services.

	KPMG Accountants N.V.		Other KPMG member firms and affiliates		Total	
	2012	2011	2012	2011	2012	2011
Audit of HEINEKEN and its subsidiaries	2.4	1.9	7.5	6.8	9.9	8.7
Other audit services	0.3	0.2	0.3	0.6	0.6	0.8
Tax services	–	–	2.1	1.8	2.1	1.8
Other non-audit services	0.4	0.2	1.5	2.0	1.9	2.2
<b>Total</b>	<b>3.1</b>	<b>2.3</b>	<b>11.4</b>	<b>11.2</b>	<b>14.5</b>	<b>13.5</b>

#### 42. Off-balance sheet commitments

In millions of EUR	Total	Less than 1 Year	1 – 5 Years	More than 5 Years	Total 2011
Undrawn committed bank facility	<b>1,625</b>	–	1,625	–	1,041

	2012		2011	
	Third parties	HEINEKEN companies	Third parties	HEINEKEN companies
Declarations of joint and several liability	–	2,049	–	2,248

#### Fiscal unity

The Company is part of the fiscal unity of HEINEKEN in the Netherlands. Based on this the Company is liable for the tax liability of the fiscal unity in the Netherlands.

## Notes to the Heineken N.V. financial statements continued

### 43. Subsequent events

For subsequent events, see note 37.

### 44. Other disclosures

#### Remuneration

We refer to note 35 of the consolidated financial statements for the remuneration and the incentives of the Executive Board members and the Supervisory Board. The Executive Board members are the only employees of the Company.

#### Participating interests

For the list of direct and indirect participating interests, we refer to notes 16 and 36 to the consolidated financial statements.

#### Executive and Supervisory Board statement

The members of the Supervisory Board signed the financial statements in order to comply with their statutory obligation pursuant to Article 2:101 paragraph 2 Civil Code.

The members of the Executive Board signed the financial statements in order to comply with their statutory obligation pursuant to Article 2:101 paragraph 2 Civil Code and Article 5:25c paragraph 2 sub c Financial Markets Supervision Act.

Amsterdam, 12 February 2013	Executive Board	Supervisory Board
	Van Boxmeer	Van Lede
	Hooft Graafland	Fernández Carbajal
		Das
		de Carvalho
		De Jong
		Fentener van Vlissingen
		Minnick
		Navarre
		Astaburuaga Sanjinés
		Wijers



## Other information

# Statement of the Executive Board

### Statement ex Article 5:25c Paragraph 2 sub c Financial Supervision Act ('Wet op het Financieel Toezicht')

To our knowledge,

- 1°. the Financial Statements give a true and fair view of the assets, liabilities, financial position and profit of Heineken N.V. and its consolidated companies;
- 2°. the Report of the Executive Board gives a true and fair view of the position as at 31 December 2012 and the developments during the financial year 2012 of Heineken N.V. and its related companies included in its Financial Statements; and
- 3°. the Report of the Executive Board describes the material risks Heineken N.V. is facing.

Executive Board

J.F.M.L. van Boxmeer  
D.R. Hooft Graafland

Amsterdam, 12 February 2013

# Appropriation of Profit

Article 12, paragraph 7, of the Articles of Association stipulates:

“Of the profits, payment shall first be made, if possible, of a dividend of six per cent of the issued part of the authorised share capital. The amount remaining shall be at the disposal of the General Meeting of Shareholders.”

It is proposed to appropriate EUR512 million of the profit for payment of dividend and to add EUR2,437 million to the retained earnings.

## **Civil code**

Heineken N.V. is not a ‘structuurvennootschap’ within the meaning of Sections 2: 152-164 of the Netherlands Civil Code. Heineken Holding N.V., a company listed on the NYSE Euronext Amsterdam, holds 50.005 per cent of the issued shares of Heineken N.V.

## **Authorised capital**

The Company’s authorised capital amounts to EUR2.5 billion.

# Independent Auditor's Report

To: The Annual General Meeting of Shareholders of Heineken N.V.

## Report on the financial statements

We have audited the accompanying financial statements 2012 of Heineken N.V., Amsterdam. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2012, the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information as included on page 67 to 142. The company financial statements comprise the company balance sheet as at 31 December 2012, the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information as included on page 143 to 150.

## Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the Executive Board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Heineken N.V. as at 31 December 2012 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

## Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Heineken N.V. as at 31 December 2012 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

## Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the report of the Executive Board as included on page 4 to 55, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and if the information as required under Section 2:392 sub 1 at b – h has been annexed. Further, we report that the report of the Executive Board, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 12 February 2013

KPMG Accountants N.V.  
E.J.L. van Leeuwen RA

# Shareholder Information

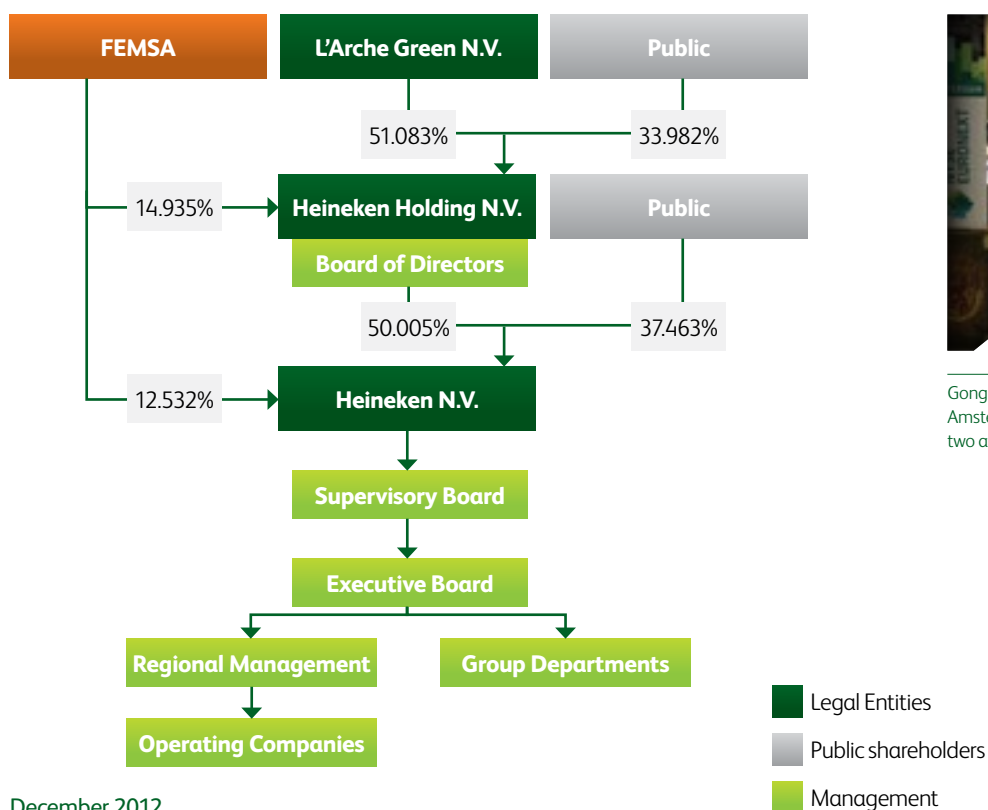
## Investor Relations

HEINEKEN takes a proactive role in maintaining an open dialogue with shareholders and bondholders, providing accurate and complete information in a timely and consistent way. The Company does this through media releases, the Annual Report, presentations, webcasts, an annual Financial Markets Conference and regular briefings with analysts, fund managers and shareholders.

## Ownership structure

Heading the HEINEKEN Group, Heineken Holding N.V. is no ordinary holding company. Since its formation in 1952, the objective of Heineken Holding N.V., pursuant to its Articles of Association has been to manage and/or supervise the HEINEKEN Group and to provide services for Heineken N.V. The role Heineken Holding N.V. has performed for the HEINEKEN Group since 1952 has been to safeguard its continuity, independence and stability and create conditions for controlled, steady growth of the activities of the HEINEKEN Group. The stability provided by this structure has enabled the HEINEKEN Group to remain independent and to rise to its present position as the brewer with the widest international presence and one of the world's largest brewing groups.

Every Heineken N.V. share held by Heineken Holding N.V. is matched by one share issued by Heineken Holding N.V. The net asset value of one Heineken Holding N.V. share is therefore identical to the net asset value of one Heineken N.V. share. The dividend payable on the two shares is identical. Historically, however, Heineken Holding N.V. shares have traded at a lower price due to technical factors that are market-specific. Heineken Holding N.V. holds 50.005 per cent of the Heineken N.V. issued shares. On 31 December 2012, L'Arche Green N.V. held 51.083 per cent of the Heineken Holding N.V. shares. The Heineken family holds 88.55 per cent of L'Arche Green N.V. The remaining 11.45 per cent of L'Arche Green N.V. is held by the Hoyer family. Mrs. de Carvalho-Heineken also owns a direct 0.03 per cent stake in Heineken Holding NV.



December 2012



Gong ceremony on 11 January 2013 at the NYSE Euronext Amsterdam to mark HEINEKEN Investor Relations winning two awards at the Dutch IR Awards 2013.

Pursuant to the Financial Supervision Act (Wet op het financieel toezicht) and the Decree on Disclosure of Major Holdings and Capital Interests in Issuing Institutions (Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen), the Financial Markets Authority has been notified about the following other substantial shareholdings.

As regards Heineken N.V.:

Massachusetts Financial Services Company

- a capital interest of 2.12 per cent
- a voting interest of 5.00 per cent (2.94 per cent held directly and 2.06 per cent held indirectly).

As at 31 December 2012, FEMSA (through its affiliate CB Equity LLP) holds a 14.94 per cent shareholding in Heineken Holding N.V. and a 12.53 per cent shareholding in Heineken N.V. All FEMSA's Heineken Holding N.V. and Heineken N.V. shares represent a 20 per cent economic interest in the HEINEKEN Group.

### Heineken N.V. shares and options

Heineken N.V. shares are traded on NYSE Euronext Amsterdam, where the Company is included in the main AEX Index. The shares are listed under ISIN code NL0000009165. Prices for the ordinary shares may be accessed on Bloomberg under the symbol HEIA.NA and on the Reuters Equities 2000 Service under HEIA.AS. Options on Heineken N.V. shares are listed on Euronext. Liffe. Additional information is available on the website: [www.theHEINEKENcompany.com](http://www.theHEINEKENcompany.com)

In 2012, the average daily trading volume of Heineken N.V. shares was 811,248 shares.

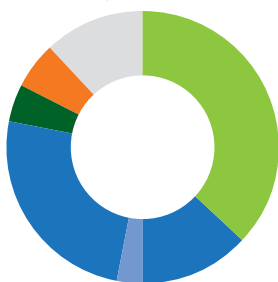
### Market capitalisation Heineken N.V.

On 31 December 2012, there were 576,002,613 shares of EUR1.60 nominal value in issue. At a year-end price of EUR50.47 on 31 December 2012, the market capitalisation of Heineken N.V. on the balance sheet date was EUR29.1 billion.

Year-end price	EUR50.47	31 December 2012
Highest closing price	EUR51.43	29 November 2012
Lowest closing price	EUR35.02	16 January 2012

### Share distribution comparison year-on-year Heineken N.V. shares\*

Based on Free float (excluding the holding of Heineken Holding N.V. and FEMSA in Heineken N.V.)



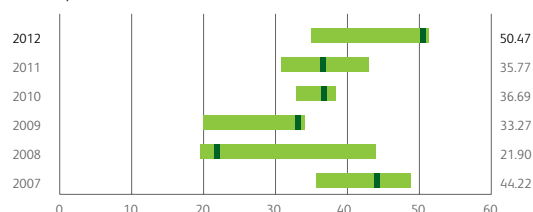
Based on 215.8 million shares in free float

Americas	37.0%
UK/Ireland	13.1%
Netherlands	3.0%
Rest of Europe (ex. Netherlands)	25.2%
Rest of the world	4.4%
Retail	5.5%
Unidentified	11.8%

\* Source: Capital Precision, estimate based on available information January 2013.

### Heineken N.V. share price

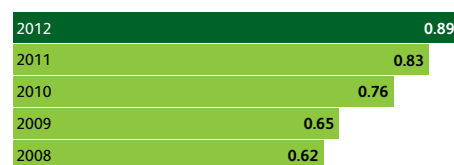
In EUR, NYSE Euronext Amsterdam



Share price range  
Year-end price  
Average trade in 2012: 811,248 shares per day

### Dividend per share (proposed)

In EUR



### Heineken Holding N.V. shares

The ordinary shares of Heineken Holding N.V. are traded on NYSE Euronext Amsterdam. The shares are listed under ISIN code NL0000008977. Prices for the ordinary shares may be accessed on Bloomberg under the symbol HEIO.NA and on the Reuters Equities 2000 Service under HEIO.AS.

In 2012, the average daily trading volume of Heineken Holding N.V. shares was 169,956 shares.

## Shareholder Information continued

### Market capitalisation Heineken Holding N.V.

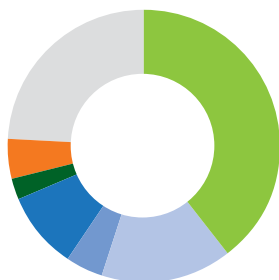
On 31 December 2012, there were 288,030,168 ordinary shares of EUR1.60 nominal value in issue and 250 priority shares of EUR2.00 nominal value in issue.

At a year-end price of EUR 41.44 on 31 December 2012 the market capitalisation of Heineken Holding N.V. on balance sheet date was EUR11.9 billion.

Year-end price	EUR41.44	31 December 2012
Highest closing price	EUR42.47	10 December 2012
Lowest closing price	EUR30.73	27 January 2012

### Share distribution comparison year-on-year Heineken Holding N.V. shares\*

Based on Free float (excluding the holding of L'Arche Green N.V. and FEMSA in Heineken Holding N.V.)



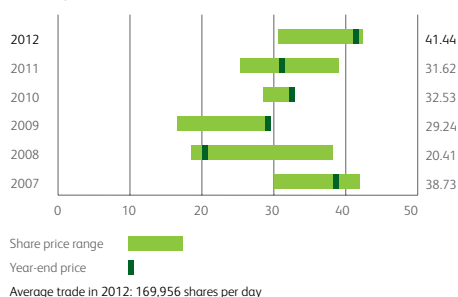
Based on 97.9 million shares in free float

Americas	39.7%
UK/Ireland	15.3%
Netherlands	4.6%
Rest of Europe (ex. Netherlands)	9.2%
Rest of the world	2.5%
Retail	4.6%
Unidentified	24.1%

\* Source: Capital Precision, estimate based on available information January 2013.

### Heineken Holding N.V. share price

In EUR, NYSE Euronext Amsterdam



### American Depositary Receipts-ADRs

On 11 December 2012 HEINEKEN announced that it has established a sponsored Level 1 American Depositary Receipt (ADR) programme. The transition from a previously unsponsored to new sponsored ADR programme is aimed at better facilitating the trading of Heineken N.V. and Heineken Holding N.V. stock in the US.

HEINEKEN's shares are trading Over-the-Counter (OTC) in the US as American Depositary Receipts (ADRs). There are two separate Heineken ADR programmes representing ownership respectively in: 1) Heineken N.V. and 2) Heineken Holding N.V. For both programmes the ratio between HEINEKEN ADRs and the ordinary Dutch (EUR denominated) shares is 2:1, i.e. two ADRs represents one HEINEKEN ordinary share. Deutsche Bank Trust Company Americas acts as depositary bank for HEINEKEN's ADR programme.

#### Heineken N.V.

Ticker: HEINY  
ISIN: US4230123014  
CUSIP: 423012301  
Structure: Sponsored Level I ADR  
Exchange: OTC  
Ratio (DR:ORD): 2:1

#### Heineken Holding N.V.

Ticker: HKHHY  
ISIN: US4230081014  
CUSIP: 423008101  
Structure: Sponsored Level I ADR  
Exchange: OTC  
Ratio (DR:ORD): 2:1



**ADR contact information**

Deutsche Bank Trust Company Americas  
c/o American Stock Transfer & Trust Company  
Peck Slip Station  
P.O. Box 2050  
New York, NY 10272-2050  
Email: DB@amstock.com

Shareholder Service (toll-free) Tel. +1 866 706 0509  
Shareholder Service (international) Tel. +1 718 921 8124  
www.amstock.com

**Contact details for ADR brokers and institutional investors**

US Tel: +1 212 250 9100  
UK Tel: +44 207 547 6500

The Company ADR programme is sponsored by Deutsche Bank Trust Company Americas (Deutsche Bank). As the depositary bank, Deutsche Bank performs the following roles for ADR holders as further detailed in the Deposit Agreement:

- Records and maintains the register of ADR holders,
- Is the stock transfer agent,
- Distributes dividends in US dollars,
- Facilitates the voting process and the exercise of the voting rights of ADR holders at any Company General Meeting if permitted by the Company and the Depositary Agreement,
- Issues and cancels HEINEKEN American Depositary Receipts (ADRs),
- Can distribute Company circulars and General Meetings (including Annual General Meeting) documentation, if applicable.

For those holders who are not registered because their ADRs are held through a 'Street name' (nominee account), your nominee will receive Company documents from time to time from Deutsche Bank to distribute to ADR holders. You need to make arrangements with your nominee if you wish to receive such documents and to be able to exercise your vote through the depositary bank at General Meetings (if applicable).

**Financial calendar in 2013 for both Heineken N.V. and Heineken Holding N.V.**

Announcement of 2012 results	13 February
Publication of Annual Report	1 March
Trading update first quarter 2013	24 April
Annual General Meeting of Shareholders	25 April
Quotation ex-final dividend 2012	29 April
Final dividend 2012 payable	8 May
Announcement of half-year results 2013	21 August
Quotation ex-interim dividend	23 August
Interim dividend 2013 payable	3 September
Trading update third quarter 2013	23 October

**Dividend policy**

The dividend policy of Heineken N.V. intends to preserve the independence of the Company, to maintain a healthy financial structure and to retain sufficient earnings in order to grow the business both organically and through acquisitions.

The dividend payments are related to the annual development of the net profit before exceptional items and amortisation of brands (net profit beia), which results in a dividend payout ratio in the range of 30-35 per cent.

Dividends are paid in the form of an interim dividend and a final dividend. The interim dividend is fixed at 40 per cent of the total dividend of the previous year. Annual dividend proposals will remain subject to shareholder approval.

# Shareholder Information continued

## Bondholder information

For the first time in the Company's 148 year history, HEINEKEN was assigned investment grade credit ratings in 2012 by the world's two leading credit agencies, Moody's Investor Service and Standard & Poor's. Both long term credit ratings, were solid Baa1 and BBB+, respectively and both have a 'stable' outlook per the date of this Annual Report. The assignment of the credit ratings has allowed the Company to further diversify its funding base.

On 19 March 2012, HEINEKEN issued EUR1.35 billion of Notes under its EMTN Programme comprising EUR850 million of 7-year Notes with a coupon of 2.5 per cent and EUR500 million of 12-year Notes with a coupon of 3.5 per cent. On 3 April 2012, HEINEKEN issued USD750 million of 10-year 144A/RegS US Notes with a coupon of 3.4 per cent. On 2 August 2012, HEINEKEN issued EUR1.75 billion of Notes under its EMTN Programme, consisting of 8-year Notes for a principal amount of EUR1 billion with a coupon of 2.125 per cent and 13-year Notes for a principal amount of EUR750 million with a coupon of 2.875 per cent. On 3 October 2012, HEINEKEN successfully priced 144A/RegS US Notes for a principal amount of USD3.25 billion. This comprised USD500 million of 3-year Notes at a coupon of 0.8 per cent, USD1.25 billion of 5-year Notes at a coupon of 1.4 per cent, USD1 billion of 10.5-year Notes at a coupon of 2.75 per cent and USD500 million of 30-year Notes at a coupon of 4.0 per cent. The proceeds of the Notes have been used for various corporate purposes including the financing of the acquisition of Asia Pacific Breweries Limited and the repayment of debt facilities. The issues have enabled HEINEKEN to further improve the currency and maturity profile of its long-term debt.

Traded Heineken N.V. Notes	Issue date	Total face value	Interest rate	Maturity	ISIN code
EUR Note 2013	November 4, 2003	EUR 600 million	5.00%	November 4, 2013	XS0179266753
EUR EMTN 2014	April 6, 2009	EUR 1 billion	7.125%	April 7, 2014	XS0421464719
144A/RegS 2015	October 10, 2012	USD 500 million	0.800%	October 1, 2015	US423012AC71
GBP EMTN 2015	March 10, 2009	GBP 400 million	7.25%	March 10, 2015	XS0416081296
EUR EMTN 2016	October 8, 2009	EUR 400 million	4.625%	October 10, 2016	XS0456567055
144A/RegS 2017	October 10, 2012	USD 1.25 billion	1.400%	October 1, 2017	US423012AB98
EUR EMTN 2019	March 19, 2012	EUR 850 million	2.500%	March 19, 2019	XS0758419658
EUR EMTN 2020	August 2, 2012	EUR 1 billion	2.125%	August 4, 2020	XS0811554962
144A/RegS 2022	April 3, 2012	USD 750 million	3.400%	April 1, 2022	US423012AA16
144A/RegS 2023	October 10, 2012	USD 1 billion	2.750%	April 1, 2023	US423012AD54
EUR EMTN 2024	March 19, 2012	EUR 500 million	3.500%	March 19, 2024	XS0758420748
EUR EMTN 2025	August 2, 2012	EUR 750 million	2.875%	August 4, 2025	XS0811555183
144A/RegS 2042	October 10, 2012	USD 500 million	4.000%	October 1, 2042	US423012AA16

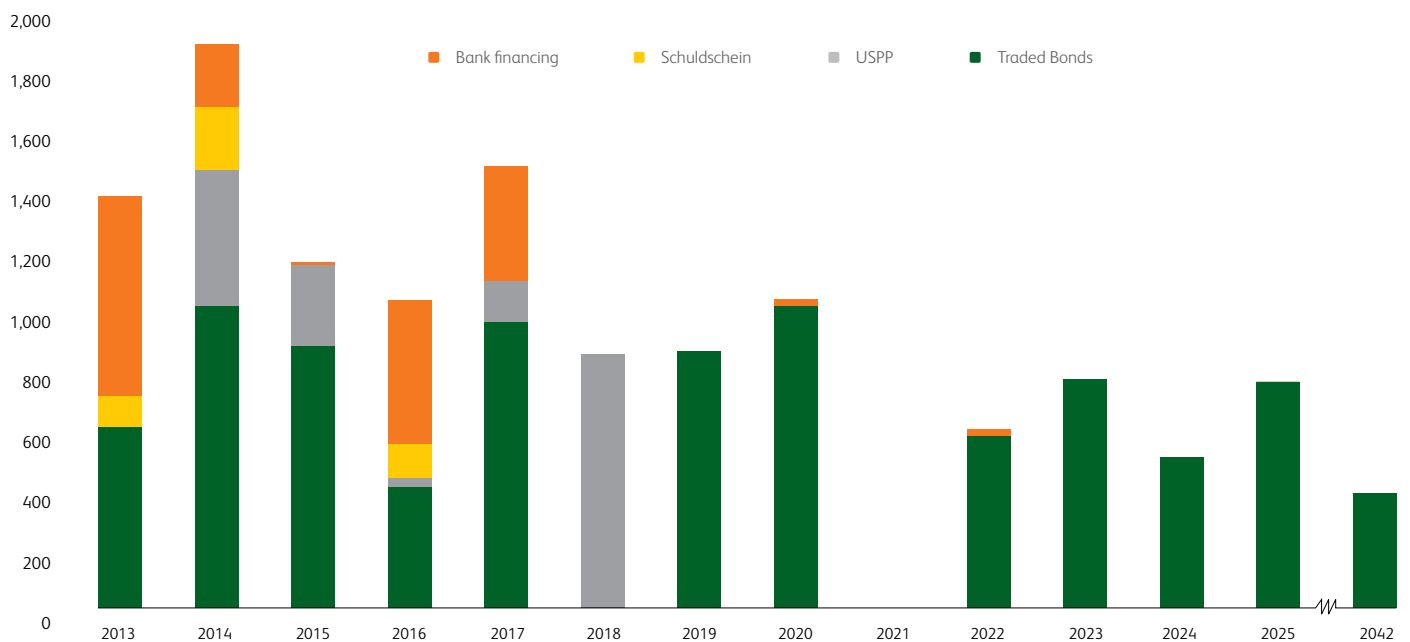
In September 2008, HEINEKEN established a Euro Medium Term Note (EMTN) Programme which was subsequently updated in September 2009, September 2010, March 2012 (and March 2013). The programme allows Heineken N.V. from time to time to issue Notes up to EUR10 billion. Currently approximately EUR5.0 billion of Notes is outstanding under the programme. The EMTN Programme and all Notes issued thereunder are listed on the Luxembourg Stock Exchange.



HEINEKEN was awarded the Corporate Issuer of the Year 2012 Award by IFR Magazine for successfully issuing over EUR6 billion of bonds in various markets on the back of the credit ratings obtained earlier in the year.

### Long Term Debt Maturity Profile

EUR min



### Division of Long Term Debt 2012



Traded Bonds	69%
USPP	14%
Schulschein	3%
Bank financing	14%

### Division of Long Term Debt 2011



Traded Bonds	30%
USPP	22%
Schulschein	5%
Bank financing	43%

### Contacting Heineken N.V. and Heineken Holding N.V.

Further information on Heineken N.V. is available from the Investor Relations department, telephone + 31 20 523 95 90 or by email: [investors@heineken.com](mailto:investors@heineken.com)

Further information on Heineken Holding N.V. is available by phone +31 20 622 11 52 or by fax +31 20 625 22 13. Information is also available from the Investor Relations department, telephone + 31 20 523 95 90 or by email: [investors@heineken.com](mailto:investors@heineken.com).

Our website [www.theHEINEKENcompany.com](http://www.theHEINEKENcompany.com) also carries further information about both Heineken N.V. and Heineken Holding N.V.

# Countries and Brands

## History

The Heineken story began almost 150 years ago in 1864 when Gerard Adriaan Heineken acquired a small brewery in the heart of Amsterdam. Since 1886, the unique Heineken A-yeast has guaranteed the pure, premium taste of Heineken® beer. The quality of Heineken® was recognised in Paris in 1889 when it received the Grand-Prix prize for the world's best beer.

The journey to becoming the world's most international brewer began in 1900 when its beer was sold first in Africa. In 1933, Heineken® was the first imported beer to reach the shores of America, marking the end of prohibition. In 1937, Heineken® beer was brewed outside the Netherlands for the first time, in what was then the Dutch East Indies.

Over the ensuing years, growth and acquisitions substantially expanded the Company, firstly in Western Europe and Africa followed by acquisitions in Central and Eastern Europe and Russia.

Since 2008, the Company has made a number of major acquisitions. In 2008 it acquired Scottish & Newcastle, consolidating its position as Europe's largest brewer. In 2010 it acquired the beer operations of FEMSA in Mexico (including its US and other export business) and Brazil, strengthening its position in Latin America. And in 2012, HEINEKEN acquired full control of Asia Pacific Breweries creating a strong platform for growth across the region.

Four generations of the Heineken family have been passionately involved in the expansion of Heineken® and the HEINEKEN Company throughout the world.

## HEINEKEN Today

Established in 1864 by the Heineken family, HEINEKEN has a long and proud history and heritage as an independent global brewer. We brew quality beers, build award-winning brands and are committed to enthusing consumers everywhere.

Four key factors make us unique:

1. Heineken® was the first and remains the only truly global beer brand, enjoyed in 178 countries around the world
2. We have a unique, worldwide footprint with operations in over 70 countries, which means we have a broader reach for our brands than any other brewer
3. We have an internationally diverse, dynamic, committed and entrepreneurial team of more than 85,000 employees
4. The passion of the Heineken family remains as strong today as it was in 1864 when we first started brewing beer.

Today, HEINEKEN is the number one brewer in Europe and the number three brewer by volume in the world. With recent acquisitions in Africa, India, South East Asia and Latin America, we are continuing to increase our presence within emerging markets, which will contribute to our ongoing growth.

Wherever you are in the world, you are able to enjoy one of our brands. We own, market and sell more than 250 of them. Our principal global brand is Heineken®, the world's most valuable international premium beer brand. Other international premium, regional, local and specialty beers include Amstel®, Anchor®, Birra Moretti®, Cruzcampo®, Desperados®, Dos Equis®, Foster's®, Newcastle Brown Ale®, Ochota®, Primus®, Sagres®, Sol®, Star®, Tecate®, Tiger®, Zlaty Bazant® and Żywiec®. Our leading joint venture brands include Cristal® and Kingfisher®.

In addition to our global beer portfolio, HEINEKEN is also the world's biggest cider maker with brands such as Strongbow® and Bulmer's®.

## Where we operate

HEINEKEN is the world's most international brewer, thanks to our global network of distributors and more than 165 breweries in over 70 countries.

We achieve our global coverage through a combination of wholly-owned companies, licence agreements, affiliates and strategic partnerships and alliances. Some of our wholesalers also distribute wine, spirits and soft drinks. In Europe, we are the largest brewer and cider maker and our brands are well established in these profitable markets. Due to our acquisitions and joint ventures in India, Africa, Asia and Latin America we have a strong platform for current and future growth from these emerging beer markets.



## Western Europe

Country	Company	Production location	Key brands
Belgium	Alken-Maes (99.9%)	Alken, Kobbegem, Opwijk, Stassen	Affligem, Cristal, Ciney, Judas, Hapkin, Brugs, Op-Ale, Watneys, Heineken, Mort Subite, Maes, Desperados, Grimbergen, Postel
Finland	Hartwall (100%)	Lahti, Karijoki	Lapin Kulta, Karjala, 1836 Classic Gourmet, URHO, Aura, Sininen, Heineken, Newcastle Brown Ale, Krusovice, Murphy's, Buckler, Tiger, Sol, Foster's
France	Heineken France (100%)	Marseille, Mons-en-Baroeul, Schiltigheim	Pelforth, Fischer, '33' Export, Panach, Adelscott, Georges Killian's, Buckler, Heineken, Desperados, Foster's, Strongbow, Amstel, Affligem, Murphy's, Edelweiss
Ireland	Heineken Ireland (100%)	Cork	Murphy's, Beamish Stout, Heineken, Amstel, Affligem, Foster's, Birra Moretti, Żywiec, Desperados, Tiger, Coors Light, Paulaner, Sol
Italy	Heineken Italia (100%)	Pollein (Aosta), Comun Nuovo (Bergamo), Massafra, Assemini (Cagliari)	Birra Moretti, Dreher, Ichnusa, Jennas, Messina, Heineken, Amstel, Buckler, Henninger, McFarland, Murphy's, Sans Souci, Von Wunster, Prinz, Desperados, Affligem, Brand, Fischer, Wieckse Witte, Erdinger, Golden Fire, Foster's, Strongbow Gold
Netherlands	Heineken Nederland (100%)	Zoeterwoude, 's Hertogenbosch	Heineken, Amstel, Wieckse Witte, Jillz, Strongbow, Desperados, Lingen's Blond, Murphy's, Sol, Maes
	Brand Bierbrouwerij (100%) Vrumona (100%)	Wijlre Bunnik	Brand Crystal Clear, Royal Club, Sisi, Sourcy, Vitamin Water, Pepsi, 7-Up, Rivella
Portugal	Sociedade Central de Cervejas et Bebidas (98.7%)	Vialonga, Luso, Cruzeiro	Sagres, Cergal, Imperial, Jansen, Heineken, Desperados, Foster's, Bulmers, John Smith's
Spain	Heineken España (98.7%)	Seville, Madrid, Valencia, Jaen	Cruzcampo, Amstel, Heineken, Desperados, Sol, Buckler, Paulaner, Affligem, Birra Moretti, Latino, Foster's, Legado de Yuste, Maes, John Smith, Judas, Mort Subite, Newcastle, Strongbow
Switzerland	Heineken Switzerland (100%)	Chur, Lucerne	Heineken, Eichhof, Calanda, Desperados, Ittinger, Haldengut, Ziegelhof, Erdinger, Clausthaler, Amstel, Desperados, Murphy's, Fosters, Miller
United Kingdom	Heineken UK (100%)	Manchester, Tadcaster, Edinburgh, Hereford, Ledbury	Foster's, Strongbow, John Smith's, Kronenbourg, Bulmers, Heineken, Newcastle Brown Ale, Amstel, Sol, Woodpecker, Tiger, Jacques, Deuchars IPA



## Countries and Brands continued

### Central and Eastern Europe

Country	Company	Production location	Key brands
Austria	Brau Union Österreich (100%)	Leoben-Göss, Graz-Puntigam, Schladming, Schwechat, Wieselburg, Zipf, Linz,	Heineken, Zipfer, Gösser, Puntigamer, Desperados, Edelweiss, Schlossgold, Kaiser, Schwechater, Wieselburger, Reininghaus, Schladminger
Belarus	Heineken Breweries (100%) Rechitsapivo (96.4%)	Bobruisk, Rechitsa	Heineken, Zlatý Bazant, Rechitskoe, Bobrov, Doctor Diesel, Pit,
Bulgaria	Zagorka Brewery (49.4%)	Stara Zagora	Heineken, Zagorka, Desperados, Ariana, Amstel, Stolichno, Starobrna, Kaiser
Croatia	Karlovačka Pivovara (100%)	Karlovac	Heineken, Karlovačko, Desperados, Edelweiss, Gösser, Kaiser
Czech Republic	Heineken Česká Republika, a.s. (100%)	Krušovice, Brno, Velké Březno, Krásné Březno	Heineken, Krušovice, Starobrna, Affligem, Edelweiss, Clausthaler, Zlatopramen, Breznak, FRII, Zlatý Bazant, Hostan, Dacicky, Louny, Baron Trenck
Germany	Heineken Deutschland (100%)	Berlin*	Heineken, Desperados, Fosters
	Paulaner Brauerei (25%)	München	Paulaner Weissbier, Paulaner, Hacker-Pschorr, Thurn & Taxis
	AuerBräu (25%)	Rosenheim	Auer
	Weissbierbrauerei Hopf (25%)	Miesbach	Hopf Weisse
	Kulmbacher Brauerei (31.8%)	Kulmbach	Kulmbacher, Mönchshof, ECU, Kapuziner
	Sternquell Brauerei (31.8%)	Plauen	Sternquell
	Braustolz (31.4%)	Chemnitz	Braustolz
	Scherdel (31.8%)	Hof	Scherdel
	Würzburger Hofbräu (31.8%)	Würzburg	Würzburger Hofbräu, Keiler
Greece	Fürstlich Fürstenbergische Brauerei (49.9%)	Donaueschingen	Fürstenberg, Riegeler
	Privatbrauerei Hoepfner (49.9%)	Karlsruhe	Hoepfner, Grape
	Privatbrauerei Schmucker (49.9%)	Mossautal	Schmucker
Greece	Athenian Brewery (98.8%)	Athens, Patras, Thessaloniki, Lamia	Heineken, Amstel, Alfa, Fischer, Sol, Buckler, McFarland, Murphy's, Desperados, Krušovice, Moretti, Newcastle Brown Ale, Foster's, John Smiths, Strongbow, VIOS 5, Zorbas, Carib, Erdinger, Kirin, König, Chimay, Duvel, Ioli
Hungary	Heineken Hungaria (100%)	Martfü, Sopron	Heineken, Gösser, Strongbow Gold, Soproni, Kaiser, Zlatý Bazant, Edelweiss, Schlossgold, Steffi, Buckler, Arany Facan, Adambrau
Macedonia	Pivara Skopje (48.2%)	Skopje	Heineken, Amstel, Skopsko, Gorsko
Poland	Grupa Żywiec (61.9%)	Cieszyn, Elbląg, Leżajsk, Warka, Żywiec	Heineken, Desperados, Paulaner, Murphy's, Żywiec, Warka, Tatra, Strong, Specjal, Królewskie, Leżajsk, Brackie
Kazakhstan	Efes Kazakhstan <sup>1</sup> (28%)	Almaty, Karaganda	Heineken, Tian Shan, Efes, Beliy Medved, Stary Melnick, Sokol, Gold Mine

\* sales office

<sup>1</sup> sold in January 2013



**Central and Eastern Europe continued**

Country	Company	Production location	Key brands
Romania	Heineken Romania (98.4%)	Constanta, Craiova, Miercurea Ciuc, Targu Mures	Amstel, Strongbow, Sol, Krušovice Imperial, Birra Moretti, Foster's, Zipfer, Schlossgod, Gösser, Ciuc, GoldenBrau, Silva, Bucegi, Neumarkt, Gambrinus, Harghita, Hategana, Desperados, Edelweiss, Heineken
Russia	Heineken Breweries (100%)	St. Petersburg, Khabarovsk, Ekaterinburg, Irkutsk, Nizhnyi Novgorod, Novosibirsk, Sterlitamak, Kaliningrad	Heineken, Amstel, Bochkarev, Ochota, Zlatý Bazant, Krusovice, Desperados, Tiger, Birra Moretti, John Smith, New Castle, Guinness, Kilkeny, Stepan Razin, PIT, Edelweiss, Doctor Diesel, Tri Medvedya, Gösser, Amur-Pivo, Zhigulevskoye, Patra, Strelets, Bereg Baikala, Kalinkin, Krepkoe, Okskoe, Rusich, Volnaya Sibir, Sedoy Ural, Shikhan, Ostmark, Kenigsberg, Heineken, MB, Master, Amstel, PilsPlus, Zajecarsko, Weifert
Serbia	United Serbian Breweries (100%) United Serbian Breweries Zajecarsko (73%)	Novi Sad Zajecar	
Slovakia	Heineken Slovensko (100%)	Hurbanovo	Heineken, Zlatý Bazant, Krusovice, Corgon, Kelt, Starobrno, Gemer, Martiner, Desperados, Edelweiss

## Countries and Brands continued

### The Americas

Country	Company	Production location	Key brands
Argentina	Companias Cervecerías Unidas Argentina (33.1%)	Salta, Santa Fe, Lujan, Buenos Aires	Heineken, Budweiser, Paulaner, Birra Moretti, Guinness, Corona, Negra Modelo, 023Salta, Santa Fe, Cordoba, Kunstmann, Palermo, Biecker, Schneider, Imperial, Otro Mundo
Bahamas	Commonwealth Brewery (75%)	Nassau	Heineken, Guinness, Kalik, Vitamalt
Brazil	Cervejarias Kaiser (100%)	Araraquara, Cuibabá, Feira de Santana, Gravataí, Jacareí, Manaus, Pacatuba, Ponta Grossa	Kaiser, Bavaria, Sol, Summer Draft, Gold, Heineken, Kaiser Bock, Xingú, Dos Equis, Amstel Pulse, Birra Moretti, Edelweis, Murphy's, Santa Cerva, Desperados
Chile	Companias Cervecerías Unidas (33.1%)	Antofagasta, Santiago, Temuco, Punta Arenas, Valdivia	Heineken, Cristal, Escudo, Royal, Kunstmann
Costa Rica	Cervecería Costa Rica (25%)	San José	Heineken, Bavaria, Imperial, Pilsen, Rock Ice, Bohemia
Haiti	Brasserie Nationale d'Haïti (94.8%)	Port-au-Prince	Guinness, Malta H, Prestige
Jamaica	Desnoes & Geddes (15.5%)	Kingston	Heineken, Dragon Stout, Guinness, Red Stripe
Martinique	Brasserie Lorraine (100%)	Lamentin	Heineken, Lorraine, Malta, Porter, Amstel, Vitamalt, Desperados, Lorraine
Mexico	Cervecería Cuauhtémoc Moctezuma (100%)	Monterrey, Tecate, Orizaba, Guadalajara, Toluca, Navojoa	Tecate, Sol, Dos Equis, Bohemia, Coors Light, Indio, Carta Blanca, Superior, Kloster, Noche Buena, Soul Citric, Strongbow Gold
Nicaragua	Consortio Cervezero Centroamericano (12.5%)	Managua	Heineken, Bufalo, Tona, Victoria
Panama	Cervecerías Barú-Panama (74.9%)	Panama City	Heineken, Tecate, Guinness, Panama, Soberana, Budweiser
St. Lucia	Windward & Leeward Brewery (72.7%)	Vieux-Fort	Heineken, Guinness, Piton, Desperados, Strongbow
Suriname	Surinaamse Brouwerij (76.2%)	Paramaribo	Heineken, Parbo, Kaiser, Vitamalt
Trinidad	Carib Development Corporation (20%)	Port of Spain	Carib, Stag, Heineken, Guinness
USA	Heineken USA (100%)	White Plains*	Heineken, Amstel, Dos Equis, Tecate, Sol, Carta Blanca, Bohemia, Newcastle Brown Ale, Indio, Strongbow

\* sales office

## Africa and the Middle East

Country	Company	Production location	Key brands
Algeria	Tango (100%)	Algiers	Tango, Samba, Fiesta, Heineken, Amstel
Burundi	Brarudi (59.3%)	Bujumbura, Gitega	Amstel, Primus, Heineken, Mützig
Cameroon	Brasseries du Cameroun (8.8%)	Bafoussam, Douala, Garoua, Yaoundé	Amstel, Mützig, Heineken
Congo	Brasseries du Congo (50%)	Brazzaville, Pointe Noire	Guinness, Maltina, Mützig, Ngok, Primus, Turbo King, Heineken
Democratic Republic of Congo	Bralima (95%)	Boma, Bukavu, Kinshasa, Kisangani, Mbandaka, Lubumbashi	Amstel, Maltina, Mützig, Primus, Turbo King, Heineken, Legend, N'Tay, Fayrouz
Egypt	Al Ahram Beverages Company (99.9%)	Badr, El Obour, Sharki, Gianaclis, El Gouna	Heineken, Birell, Fayrouz, Meister Max, Sakara, Stella, Amstel ZeroLuxor
Ethiopia	Bedele Brewery Share Company (100%) Harar Brewery Share Company (100%)	Bedele Harar	Bedele, Heineken Harar, Hakim Stout, Harar Soji
Ghana	Guinness Ghana Breweries Ltd. (20%)	Accra, Kumasi	Amstel Malta, Guinness, Gulder, Star, Heineken, Malta, Guinness
Israel	Tempo Beverages Limited (40%)	Netanya	Heineken, GoldStar, Maccabi, Nesher Malt, Newcastle Brown Ale
Jordan	General Investment (10.8%)	Zerka	Amstel, Heineken, Rex
Lebanon	Almaza (67%)	Beirut	Almaza, Laziza, Amstel, Heineken, Rex
Morocco	Brasseries du Maroc (2.2%)	Casablanca, Fès, Tanger	Heineken, Fayrouz
Namibia	Namibia Breweries (14.6%)	Windhoek	Heineken, Guinness, Windhoek, Amstel, Tafel
Nigeria	Nigerian Breweries Plc (54.1%)  Consolidated Breweries (53.6%)	Aba, Ama, Ibadan, Kaduna (2), Lagos, Onitsha, Sango-Ota  Jjebu Ode, Awa-Omamma, Makurdi, Lagos, Uyo	Heineken, Amstel Malta, Gulder, Legend, Maltina, Star, Fayrouz, Life Continental Lager, Goldberg Lager, Malta Gold '33' Export, Hi-malt, Maltex, Turbo King, More Lager, Williams, Champion Lager
Réunion	Brasseries de Bourbon (85.7%)	Saint Denis	Bourbon, Dynamalt, Heineken
Rwanda	Bralirwa (75%)	Gisenyi, Kigali	Amstel, Guinness, Mützig, Primus, Turbo King, Heineken
Sierra Leone	Sierra Leone Brewery (83.1%)	Freetown	Heineken, Guinness, Maltina, Star
South Africa	Sedibeng Brewery (75%) DHN Drinks (44.6%)	Johannesburg (Sedibeng), Cape Town	Heineken, Amstel, Windhoek, Strongbow, Guinness
Tunisia	Nouvelle de Brasserie 'Sonobra' (49.99%)	Grombalia, Ksar Lemsā, Grombalia Softdrinks	Heineken, Golden Brau, Fayrouz

## Countries and Brands continued

### Asia Pacific

Country	Company	Production location	Key brands
Cambodia	Cambodia Brewery (79.0%)	Phnom Penh	ABC Extra Stout, Anchor, Gold Crown, Tiger
China	Shanghai Asia Pacific Brewery (99.3%)	Shanghai	Heineken, Reeb, Tiger, Strongbow, Murphy's
	Hainan Asia Pacific Brewery (99.3%)	Haikou	Irish Stout, Anchor, Aoke, Tiger
	Guanghzhou Asia Pacific Brewery (99.3%)	Guanghzhou	
India	United Breweries Limited (37.4%)	Cherthala, Palakkad, Hyderabad, Hyderabad Golc, Ludhiana, Chopanki, Mangalore, Calcutta, Goa, Aurangabad UBL, Andhra Pradesh, Karnataka, Chennai, Dharuhera, Mumbai, Orissa	Heineken, Kingfisher, Kalyani, UB, London Pilsener
Indonesia	Multi Bintang Indonesia (86.4%)	Sampang Agung, Tangerang	Heineken, Bintang, Guinness, Bintang Zero, Green Sands
Laos	Lao Asia Pacific Breweries (67.1%)	Vientiane	Tiger, Heineken, Namkong
Malaysia	Guinness Anchor Berhad (25.2%)	Kuala Lumpur	Heineken, Anchor, Baron's, Guinness, Strongbow, Kilkenney, Tiger
Mongolia	MCS Asia Pacific Brewery (54.3%)	Ulaan Baatar	Tiger, Sengur
New Caledonia	Grande Brasserie de Nouvelle Calédonie (86.3%)	Nouméa	Heineken, Number One, Desperados

**Asia Pacific continued**

Country	Company	Production location	Key brands
New Zealand	DB Breweries (98.7%)	Mangatainoka, Otahuhu	Heineken, Amstel, DB Draught, Export Gold, Export Dry, Tiger, Monteith's, Tui, Fuse, Barrel 51, Murphy's Irish Stout
	DB South Island Brewery (54.3%)	Timaru	Murphy's Irish Red, Double Brown, Bushmans Draught, DB Draught, Export 33, Export Dry, Export Gold, Flame, Monteith's, Skippers Draught, Tui
Papua New Guinea	South Pacific Brewery (75.4%)	Lae, Port Moresby	Niugini Ice Beer, South Pacific Export Lager, SP Lager, SP Gold
Singapore	Asia Pacific Breweries (Singapore) (98.7%)	Singapore	Heineken, ABC Extra Stout, Anchor, Baron's, Tiger, Strongbow, Bulmers, Newcastle Brown Ale, John Smith
Solomon Islands	Solomon Breweries (96.4%)	Honiara	Sol Brew
Sri Lanka	Asia Pacific Brewery (Lanka) (59.2%)	Mawathagama	Archipelago, Bison, Kings Stout, Baron's Lager, Baron's Strong Brew
Thailand	Thai Asia Pacific Brewery (36.4%)	Bangkok	Heineken, Tiger, Cheers
Vietnam	Vietnam Brewery (59.2%)	Ho Chi Minh City	Heineken, Bivina, Tiger, Coors Light
	Asia Pacific Breweries (Hanoi) (98.7%)	Hanoi	Heineken, Anchor Draft, Tiger
	VBL Da Nang Co (59.2%)	Da Nang	Coors Light, Foster's, Bière Larue
	VBL Tien Giang (59.2%)	Tien Giang	
	VBL Quang Nam (47.4%)	Quang Nam	

# Historical Summary

	2012	2011	2010*	2009	2008
<b>Revenue and profit</b>					
In millions of EUR					
Revenue	18,383	17,123	16,133	14,701	14,319
Results from operating activities	3,691	2,215	2,298	1,630	1,182
Results from operating activities (beia)	2,699	2,458	2,430	1,968	181
as % of revenue	14.7	14.4	15.1	13.4	1.3
as % of total assets	7.5	9.1	9.1	9.8	0.9
Net profit	2,949	1,430	1,447	1,018	209
Net profit (beia)	1,696	1,584	1,456	1,055	1,013
as % of equity attributable to equity holders of the Company	14.5	16.2	14.7	19.7	22.7
Dividend proposed	512	477	438	318	304
as % of net profit (beia)	30.2	30.1 <sup>1</sup>	30.1	30.1	30.0
<b>Per share of EUR1.60</b>					
In millions of EUR					
Cash flow from operating activities	4.69	5.05	4.61	4.87	3.39
Net profit (beia)	2.95	2.71	2.59	2.16	2.07
Dividend proposed	0.89	0.83	0.76	0.65	0.62
Equity attributable to equity holders of the Company	20.33	16.70 <sup>2</sup>	17.67	10.95	9.14
<b>Cash flow statement</b>					
In millions of EUR					
Cash flow from operations	3,518	3,720	3,548	3,029	2,168
Cash flow related to interest, dividend and income tax	(823)	(809)	(891)	(650)	(508)
Cash flow from operating activities	2,695	2,911	2,657	2,379	1,660
Cash flow (used in)/from operational investing activities	(1,210)	(818)	(664)	(638)	(1,110)
Free operating cash flow	1,485	2,093	1,993	1,741	550
Cash flow (used in)/from acquisitions and disposals	(4,415)	(937)	257	(149)	(3,634)
Dividend paid	(604)	(580)	(483)	(392)	(485)
Cash flow (used in)/from financing activities, excluding dividend	3,660	(454)	(1,689)	(1,445)	3,794
Net cash flow	126	122	78	(245)	225
Cash conversion rate	80.0%	122.1%	125.6%	147.7%	47.8%
<b>Financing ratios</b>					
Net debt/EBITDA (beia)	3.09	2.27	2.26	2.62	3.28

\* Comparatives have been adjusted due to the accounting policy change in employee benefits (see note 2e of the 2011 Financial statements)

<sup>1</sup> The percentage 33.1% stated in the Annual Report 2011 is incorrect, the correct dividend proposed as percentage of net profit (beia) for 2011 is 30.1 per cent

<sup>2</sup> Including the effect of the Allotted Share Delivery Instrument (ASDI).



	2012	2011	2010*	2009	2008
EBIT (beia)/Net interest expense	6.0	6.4	5.4	3.9	5.1
Free operating cash flow/Net debt	12%	25%	25%	23%	6%
Net debt/Equity	1.0	0.8	0.8	1.4	1.9
<b>Financing</b>					
In millions of EUR					
Share capital	922	922	922	784	784
Reserves and retained earnings	10,769	8,852	9,010	4,567	3,687
Equity attributable to equity holders of the Company	11,691	9,774	9,932	5,351	4,471
Non-controlling interest	1,071	318	288	296	281
Total equity	12,762	10,092	10,220	5,647	4,752
Employee benefits	1,632	1,174	1,097	634	688
Provisions (including deferred tax liabilities)	2,337	1,483	1,589	1,304	1,163
Non-current loans and borrowings	11,437	8,199	8,078	7,401	9,084
Other liabilities (excluding provisions)	7,811	6,179	5,678	5,194	4,900
Liabilities (excluding provisions)	19,248	14,378	13,756	12,595	13,984
Total equity and liabilities	35,979	27,127	26,662	20,180	20,587
Equity attributable to equity holders of the Company/ (employee benefits, provisions, and liabilities)	0.50	0.57	0.60	0.37	0.28
<b>Employment of capital</b>					
In millions of EUR					
Property, Plant and Equipment	8,792	7,860	7,687	6,017	6,314
Intangible assets	17,725	10,835	10,890	7,135	7,030
Other non-current assets	3,925	3,724	3,767	2,875	2,494
Total non-current assets	30,442	22,419	22,344	16,027	15,838
Inventories	1,596	1,352	1,206	1,010	1,246
Trade and other current assets	2,904	2,543	2,502	2,623	2,805
Cash, cash equivalents and current other investments	1,037	813	610	520	698
Total current assets	5,537	4,708	4,318	4,153	4,749
Total assets	35,979	27,127	26,662	20,180	20,587
Total equity/Total non-current assets	0.42	0.45	0.46	0.35	0.30
Current assets/Current liabilities (excluding provisions)	0.72	0.78	0.79	0.80	0.97

\* Comparatives have been adjusted due to the accounting policy change in employee benefits (see note 2e of the 2011 Financial statements)

# Glossary

## **Acquisition related intangible assets**

Acquisition related intangible assets are assets that HEINEKEN only recognises as part of a purchase price allocation following an acquisition. This includes amongst others brands, customer-related and certain contract-based intangibles.

## **ASDI**

Allotted share delivery instrument (ASDI) representing HEINEKEN's obligation to deliver Heineken N.V. shares, either through issuance and/or purchasing of its own shares.

## **Beia**

Before exceptional items and amortisation of acquisition related intangible assets.

## **Cash conversion ratio**

Free operating cash flow/Net profit (beia) before deduction of non-controlling interests.

## **Depletions**

Sales by distributors to the retail trade.

## **Dividend payout**

Proposed dividend as percentage of net profit (beia).

## **Earnings per share**

### **Basic**

Net profit divided by the weighted average number of shares – basic – during the year.

### **Diluted**

Net profit divided by the weighted average number of shares – diluted – during the year.

## **EBIT**

Earnings before interest and taxes and net finance expenses. EBIT includes HEINEKEN's share in net profit of associates and joint ventures.

## **EBITDA**

Earnings before interest and taxes and net finance expenses before depreciation and amortisation.

## **Effective tax rate**

Income tax expense expressed as a percentage of the profit before income tax, adjusted for share of profit of associates and joint ventures and impairments thereof (net of income tax).

## **Eia**

Exceptional items and amortisation of acquisition-related intangible assets.

## **Fixed costs**

Fixed costs include personnel costs, depreciation and amortisation, repair and maintenance costs, energy and water, and other fixed costs. Exceptional items are excluded from these costs.

## **Free operating cash flow**

This represents the total of cash flow from operating activities, and cash flow from operational investing activities.

## **Innovation Rate**

The Innovation Rate is calculated as revenues generated from innovations launched / introduced in the past twelve quarters divided by revenue

## **Net debt**

Non-current and current interest-bearing loans and borrowings and bank overdrafts less investments held for trading and cash.

**Net debt/EBITDA (beia) ratio**

The ratio is based on a twelve month rolling calculation for EBITDA (beia).

**Net profit**

Profit after deduction of non-controlling interests (profit attributable to equity holders of the Company).

**Organic growth**

Growth excluding the effect of foreign currency translational effects, consolidation changes, exceptional items, amortisation of acquisition-related intangible assets.

**Organic volume growth**

Increase in volume, excluding the effect of the first time consolidation of acquisitions.

**Operating profit**

Results from operating activities.

**Profit**

Total profit of the Group before deduction of non-controlling interests.

**®**

All brand names mentioned in this report, including those brand names not marked by an ®, represent registered trademarks and are legally protected.

**Region**

A region is defined as HEINEKEN's managerial classification of countries into geographical units.

**Revenue**

Net realised sales proceeds in euros.

**Top-line growth**

Growth in net revenue.

**Volume****Amstel® volume**

The group beer volume of the Amstel brand.

**Consolidated beer volume**

100 per cent of beer volume produced and sold by fully consolidated companies (excluding the beer volume produced and sold by joint venture companies).

**Group beer volume**

100 per cent of beer volume produced and sold by fully consolidated companies and joint venture companies as well as the volume of HEINEKEN's brands produced and sold under license by third parties.

**Heineken® volume**

The Group beer volume of the Heineken brand.

**Heineken® volume in premium segment**

The Group beer volume of the Heineken brand in the premium segment (Heineken volume in the Netherlands is excluded).

**Total Consolidated volume**

Volume produced and sold by fully consolidated companies (including beer, cider, soft drinks and other beverages), volume of third party products and volume of HEINEKEN's brands produced and sold under license by third parties.

**Weighted average number of shares****Basic**

Weighted average number of issued shares including the weighted average of outstanding ASDI, adjusted for the weighted average of own shares purchased in the year.

**Diluted**

Weighted average number of issued shares including the weighted average of outstanding ASDI.

# Reference Information

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## **More information from HEINEKEN online:**

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## Disclaimer

This Annual Report contains forward-looking statements with regard to the financial position and results of HEINEKEN's activities. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond HEINEKEN's ability to control or estimate precisely, such as future market and economic conditions, the behaviour of other market participants, changes in consumer preferences, the ability to successfully integrate acquired businesses and achieve anticipated synergies, costs of raw materials, interest-rate and exchange-rate fluctuations, changes in tax rates, changes in law, pension costs, the actions of government regulators and weather conditions. These and other risk factors are detailed in HEINEKEN's publicly filed Annual Reports. You are cautioned not to place undue reliance on these forward-looking statements, which are only relevant as of the date of this Annual Report. HEINEKEN does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of these forward-looking statements. Market share estimates contained in this Annual Report are based on outside sources, such as specialised research institutes, in combination with management estimates.

Celebrating 140 years young

## Amsterdam 1873 Paris 1889

Our premium beer was first brewed from our home in Amsterdam. Gerard Adriaan Heineken had an ambition to share our beer with the planet. He would open the world to the great taste of Heineken® – and we continue to do so today.

A remarkable World Exhibition. The Eiffel Tower was born and our lager beer received the grand-Prix for the world's best beer. To this day, the award is proudly displayed on our bottle – just as the Eiffel Tower still stands tall on the Champ de Mars.



## Amsterdam 1931

A symbol of quality was born – the Heineken® red star. Each of the five points represents a natural ingredient of the beer: barley, hops, water, our unique A-yeast, and the magic touch of the brewer. Although few of our drinkers wear clogs these days, our recipe remains unchanged since 1873.



## New York 1933

We became the first imported beer to reach the shores of America, marking the end of prohibition. Heineken® now available in 178 countries worldwide and our adventures continue to this day.



## World 2013

Born in Amsterdam, raised by the world. We've discovered that when you're open to the world, the world is open to you. That's why our beer is at home everywhere around the globe. With 140 years of history, Heineken® still has the mindset of an explorer. It feels like we just started.



## The Future

For 140 years we've been bringing people together. Call us the world's oldest social network. We asked you to team up on facebook to design the Heineken® bottle of the future. A design that symbolizes connecting in the future. This is the winning design connection by Lee Dunford and Rodolfo Kusulas.

